the State of Montana to James A. Cody; to the Committee on Indian Affairs.

H. R. 4478. A bill to authorize the Secretary of the Interior to sell certain lands in the State of Montana to Leroy E. Cody; to the Committee on Indian Affairs.

By Mr. GALLAGHER:

H. R. 4479. A bill for the relief of William E. Robertson and Estelle Robertson; to the Committee on Claims.

SENATE

WEDNESDAY, OCTOBER 24, 1945

(Legislative day of Monday, October 22, 1945)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Most merciful God, who knowest our necessities before we ask and our ignorance in asking, have compassion, we beseech Thee, upon our infirmities; strengthen us in all noble impulses and daily increase in us the spirit of wisdom and understanding, the spirit of counsel and knowledge and true godliness. Dowered with privileges as no other nation, may our high estate be to us Thy call to protect the weak and exploited, that through the potent ministry of our dear land all peoples of the earth may be blessed. In the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. GEORGE, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Tuesday, October 23, 1945, was dispensed with, and the Journal was approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States submitting nominations was communicated to the Senate by Mr. Miller, one of his secretaries.

MESSAGE FROM THE HOUSE—ENROLLED BILLS SIGNED

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the Speaker had affixed his signature to the following enrolled bills, and they were signed by the President pro tempore:

S. 1383. An act to amend an act relating to the incorporation of Providence Hospital, Washington, D. C., approved April 8, 1864;

H. R. 239. An act for the relief of Dr. Ernest H. Stark;

H. R. 240. An act for the relief of Dr. James M. Hooks;

H. R. 390. An act to amend section 28 (c) of the Immigration Act of 1924;

H. R. 1104. An act to amend section 23 of the Immigration Act of February 5, 1917;

H. R. 1465. An act for the relief of the State of California;

H. R. 1563. An act for the relief of N. Owen Oxley and the legal guardian of Lamar Oxley, a minor;

H. R. 2172. An act for the relief of J. Clyde Marquis;

H. R. 2668. An act to transfer Ben Hill County, Ga., from the Waycross division of the southern judicial district of Georgia to the Americus division of the middle judicial district of Georgia; and

H. R. 3220. An act to establish a boundary line between the District of Columbia and the Commonwealth of Virginia, and for other purposes.

REVENUE ACT OF 1945—REPORT OF COMMITTEE ON FINANCE FILED DURING THE RECESS

Under authority of the order of the Senate of the 23d instant,

Mr. GEORGE, from the Committee on Finance, to which was referred the bill (H. R. 4309) to reduce taxation, and for other purposes, reported it on October 23, 1945, with amendments, and submitted a report (No. 655) thereon.

EXECUTIVE COMMUNICATIONS, ETC.

The PRESIDENT pro tempore laid before the Senate the following letters, which were referred as indicated:

JUNE 1945 REPORT OF RECONSTRUCTION FINANCE CORPORATION

A letter from the Chairman of the Board of Directors of the Reconstruction Finance Corporation, transmitting, pursuant to law, the report of the Corporation for the month of June 1945 (with an accompanying report); to the Committee on Banking and Currency.

LAND ACQUISITIONS FOR PARKS, PARKWAYS, AND PLAYGROUNDS, NATIONAL CAPITAL

A letter from the Acting Executive Officer of the National Capital Park and Planning Commission, transmitting, pursuant to law, a list of land acquisitions for parks, parkways, and playgrounds, cost of each tract, and method of acquisition for the fiscal year ended June 30, 1945 (with the accompanying list); to the Committee on the District of Columbia.

PETITIONS

Petitions were laid before the Senate, or presented and referred as indicated:

By the PRESIDENT pro tempore:

A resolution adopted by the Forty-sixth National Encamptment of the Veterans of Foreign Wars of the United States, assembled in Chicago, Ill., favoring preservation of American economy and national self interest; to the Committee on Foreign Relations.

By Mr. CAPPER:

A letter in the nature of a petition from Local Union No. 1587, United Brotherhood of Carpenters and Joiners of America, Hutchinson, Kans., praying for the enactment of legislation to establish a Missouri Valley Authority; to the Committee on Agriculture and Forestry.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BREWSTER, from the Committee on Commerce:

S. 765. A bill concerning the establishment of meteorological observation stations in the Arctic region of the Western Hemisphere, for the purpose of improving the weather forecasting service within the United States and on the international air-transport routes from the United States; with amendments (Rept. No. 656).

By Mr. BILBO, from the Committee on Commerce:

S. 1259. A bill to extend the times for commencing and completing the construction of a bridge across the Mississippi River at Mill Street in Brainerd, Minn.; with an amendment (Rept. No. 657);

S. 1425. A bill to revive and reenact the act entitled "An act to authorize the county of Burt, State of Nebraska, to construct, maintain, and operate a toll bridge across the Missouri River at or near Decatur, Nebr.," approved June 8, 1940; without amendment (Rept. No. 658); and

H. R. 4083. A bill authorizing the improvement of certain harbors in the interest of commerce and navigation; without amendment (Rept. No. 659).

By Mr. KNOWLAND, from the Committee on Commerce:

H. R. 3870. A bill to name the dam at the Upper Narrows site on the Yuba River, in the State of California, the Harry L. Englebright Dam; without amendment (Rept. No. 669).

By Mr. McMAHON, from the Committee on Claims:

H. R. 938. A bill for the relief of Winfred Alexander; without amendment (Rept. No. 660);

H. R. 1630. A bill for the relief of Lubell Bros., Inc.; without amendment (Rept. No. 661); and

H. R. 1857. A bill for the relief of the legal guardian of Mona Mae Miller, a minor; without amendment (Rept. No. 662).

By Mr. MORSE, from the Committee on Claims:

H. R. 1303. A bill for the relief of Daniel D. O'Connell and Almon B. Stewart; without amendment (Rept. No. 663).

By Mr. WILEY, from the Committee on Claims:

H. R. 1560. A bill for the relief of J. B. Grigsby; without amendment (Rept. No. 664); and

H. R. 3453. A bill for the relief of John W. Farrell; without amendment (Rept. No. 665).

By Mr. ELLENDER, from the Committee on Claims:

S. 684. A bill for the relief of Ida M. Raney; with an amendment (Rept. No. 666);

S. 815. A bill for the relief of Ogden and Dougherty, and for other purposes; with an amendment (Rept. No. 667); and

S. 1158. A bill for the relief of Winter Bros. Co.; with an amendment (Rept. No. 668).

BILLS AND JOINT RESOLUTION INTRODUCED

Bills and a joint resolution were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. GREEN:

S. 1508. A bill to authorize the use by industry of silver held or owned by the United States; to the Committee on Banking and Currency.

By Mr. TYDINGS:

S. 1509. A bill relating to investment of trust funds in the District of Columbia; to the Committee on the District of Columbia.

(Mr. MURRAY (by request) introduced Senate bill 1510, which was referred to the Committee on Education and Labor, and appears under a separate heading.)

By Mr. MAGNUSON:

S. 1511. A bill for the relief of the Cox Bros.; to the Committee on Claims.

By Mr. EASTLAND:

S. 1512. A bill to authorize the Secretary of the Navy to transfer the U. S. S. *Mississippi* to the State of Mississippi, and for other purposes; to the Committee on Naval Affairs.

By Mr. BUTLER:

S. 1513. A bill to make the increase in base pay of enlisted men of the armed forces, provided by section 9 of the Pay Readjustment Act of 1942, retroactive to September 1, 1940; to the Committee on Military Affairs.

S. 1514. A bill for the relief of the City National Bank Building Co.; to the Committee on Claims.

By Mr. TAFT:

S. 1515. A bill for the relief of Mrs. Maude L. Groner; to the Committee on Finance.

By Mr. MAGNUSON:

S. 1516. A bill to amend section 12 of the Bonneville Project Act, as amended; to the Committee on Commerce.

By Mr. CORDON:

S. 1517. A bill for the relief of Lofts & Son; to the Committee on Claims.

S. 1518. A bill relating to the taxation by State and local taxing units of certain real property sold by the United States; to the Committee on Finance.

By Mr. STEWART:

S. J. Res. 111. Joint resolution to authorize an investigation of means of increasing the capacity and security of the Panama Canal; to the Committee on Interoceanic Canals.

RETURN OF OPERATION OF PUBLIC EMPLOYMENT OFFICES TO THE STATES

Mr. MURRAY. Mr. President, at the request of the Secretary of Labor, I ask unanimous consent to introduce for appropriate reference a bill providing for the return of public-employment offices to State operation.

There being no objection, the bill (S. 1510) to provide for the return of public employment offices to State operation, to amend the act of Congress approved June 6, 1933 (48 Stat. 113), and for other purposes, was received, read twice by its title, and referred to the Committee on Education and Labor.

JERUSALEM FOR THE JEWS—STATEMENT BY DR. CLINTON N. HOWARD

[Mr. CAPPER asked and obtained leave to have printed in the RECORD a statement entitled "Jerusalem for the Jews," by Dr. Clinton N. Howard, general superintendent of the International Reform Federation, Washington, D. C., which appears in the Appendix.]

THE ATOMIC BOMB—BROADCAST BY TRISTRAM COFFIN

[Mr. DOWNEY asked and obtained leave to have printed in the RECORD a broadcast by Tristram Coffin giving an account of a meeting of the subcommittee of the Committee on Commerce considering the question of the control of atomic energy, which appears in the Appendix.]

THE PRESIDENT'S PROGRAM FOR MILITARY TRAINING—EDITORIAL COMMENT

[Mr. MAYBANK asked and obtained leave to have printed in the RECORD editorials from the New York Times, the New York Herald Tribune, and the Washington Post of October 24, 1945, dealing with the President's program for military training, which appear in the Appendix.]

THE NEGRO DISILLUSIONED—ARTICLE BY DEMPS ALEXANDER ODEN

[Mr. BILBO asked and obtained leave to have inserted in the RECORD an article entitled "The Negro Disillusioned," by Demps Alexander Oden, which appears in the Appendix.]

PREVENTION OF WAR—STATEMENT BY TOM BURNS

[Mr. CORDON asked and obtained leave to have printed in the RECORD a statement entitled "To Prevent War," by Tom Burns, which appears in the Appendix.]

LEAVE OF ABSENCE

Mr. DONNELL. Mr. President, I ask unanimous consent that I may be excused from attendance on the Senate during the luncheon hour because of a speaking engagement elsewhere in Washington.

The PRESIDENT pro tempore. Without objection, the request is granted.

CONTROVERSY BETWEEN GENERAL MOTORS AND THE UNITED AUTOMOBILE WORKERS

Mr. GEORGE obtained the floor.

Mr. MURRAY. Mr. President, will the Senator from Georgia yield?

Mr. GEORGE. I yield to the Senator from Montana.

Mr. MURRAY. I wish to make a statement in connection with the strike situation.

Mr. GEORGE. Is it a brief statement?

Mr. MURRAY. It is.

Mr. GEORGE. I yield to the Senator from Montana for a brief statement.

Mr. MURRAY. Mr. President, I am in receipt of a telegram from Walter Reuther, vice president and director of the General Motors department, United Automobile Workers, CIO, briefly setting forth labor's side of the controversy between General Motors and the United Automobile Workers. This telegram carries its own important message to the Members of the Senate, and I ask permission to have it inserted in the RECORD.

The PRESIDING OFFICER. Is there objection?

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

I appeal to you, as chairman of the Senate Education and Labor Committee, to bring immediately to the attention of the Senate the fact that President Charles E. Wilson, of General Motors, the largest corporation in the country, has formally given notice of a sit-down strike against the announced Government policy of raising wage rates to maintain take-home pay wherever such increases do not require price increases.

Mr. Wilson has delivered an "either or" ultimatum to the Government, the people of the United States, and the 350,000 General Motors workers, as proved by verbatim excerpts from the official General Motors transcript of his October 19 press conference here in Detroit following a flying trip to Washington for a conference with President Truman. Either, says Mr. Wilson, the Government will have to raise prices, labor will have to take the present 23-percent cut in take-home pay, or the Congress must amend the Wages and Hours Act to increase the normal workweek to 45 hours. If Congress will jump through the hoop at General Motors command, then, says Mr. Wilson, General Motors will increase hourly wage rates 5 to 8 percent and pay overtime above 45 hours. If none of these ultimatums is accepted, Mr. Wilson said General Motors will push out sample cars to dealers throughout the country and then go on a sit-down strike, relying on public opinion to force Congress to take the backward step of increasing the workweek to 45 hours at a time when 8,000,000 unemployed within the year are anticipated. General Motors wants a strike; that is plain. It is baiting labor; it is baiting the Government; it is planning to use its vast economic power and propaganda machine to coerce Congress. Before citing, with page numbers, the verbatim transcript of Mr. Wilson's October 19 disclosure of the General Motors plan to go on strike to enforce its own ideas of the shape of our postwar economy, may I remind you that this Mr. Wilson is the man and General Motors is the corporation that in 1941 went on a sit-down strike against conversion from peace to war production until it was able to write virtually its own terms. At that time Mr. Wilson told the National Defense Mediation Board: "A strike might be a bad thing for General Motors but a good thing for the Nation."

Here are Mr. Wilson's own words excerpted from the General Motors report of his press conference:

"Question. Mr. Wilson, in the event that labor does get its increase—15 percent, 20 percent, 25 percent, or 30 percent—and there is not a satisfactory increase in price, will General Motors close down or what will it do?

"Mr. WILSON. Well, of course it would gradually run out of soap and close down, or it could do it ahead of time. We actually have had suppliers now that said: 'No; we won't take the business.' The Government is having the textile manufacturers now who are being asked to make the cheaper grades of textiles at a very low price say: 'No; we will shut down.'

"Question. But you said you did not see much chance of getting the wage-price solution—the thing that we are up against now.

"Mr. WILSON. We have already made the decision. The answer is 'No.'

"Question. Mr. Wilson, will you qualify the statement that you made a little earlier to the effect that you did not think this wage-price problem will be solved in time?

"Mr. WILSON. To avoid serious strikes. I do not. I am afraid it cannot be.

"Question. Mr. Snyder has referred to 23 percent increase in the cost of living of the workers. Now if your production-standards efficiency were maintained as before the war and your volume were as good as you expect it to be after the war, all things being equal, could you grant the workers a 23 percent wage increase and stay in business?

"Mr. WILSON. You mean at the same prices?

"Question. Yes.

"Mr. WILSON. No; we could not.

"Question. I have a simple question, Mr. Wilson. All these divisions have reported their divisions in production, and these cars are accumulating. You have no price formula to sell them. I assume you are not going to keep them. You are going to send them out to the dealers. How are you going to sell them without a price program, without a price being set?

"Mr. WILSON. We usually get enough cars in the hands of dealers so that everybody was ready to do business before we said that is the price. We are hoping that by the time we get the cars in that shape we will have this problem solved. It is either going to be solved or our plants are all going to be shut down completely and we don't have any cars accumulating. So one of the two is going to happen.

"Question. Has General Motors given your final answer on this wage increase, and what is your real position on it?

"Mr. WILSON. Our real position on it and the answer has been given; is that there is no increase that we can or will give at this time under the present wage-price formulas of the country as we understand them. If they are changed, we will talk about another set of conditions. If they are not changed, I suppose we will have a strike unless the men get sensible about it."

Although General Motors refuses to negotiate, to discuss our demands, to try to disprove our contentions and our economic brief, and arrogantly declares that negotiations are none of the public's business unless and until they have been broken off and result in a strike, the UAW (CIO) will continue to present the proof of its demands to the corporation and simultaneously to the press, radio, and the American people. We have made a fair offer to the corporation and to the public. If our contentions can be disproved, we will compromise. Unless and until they are, we will not concede one red cent.

WALTER P. REUTHER,
Vice President and Director,
GM Department, UAW (CIO).

Mr. MURRAY. Mr. President, the telegram from Mr. Reuther deals with such a vitally significant situation that I am prompted to make certain additional remarks at this time.

The struggle between labor and management in the General Motors industry involves directly the welfare of 350,000 workers and in numerous ways touches the lives of many thousands; yes, even millions of our citizens. The President of the United States has held conferences with the leading figures in this controversy. The Congress has had management's position presented to it in a document entitled "Danger on the Production Front." The daily press of the Nation has headlined this sharply drawn issue as the No. 1 labor-management controversy of the Nation. How thoroughly it is understood and what is done in settling it will establish a pattern which may well become the way of dealing with other labor-management problems now harassing our national life.

We have come through a long and hard-fought war in which management and labor have done their utmost to provide the sinews of strength which enabled our armed forces to press on to victory. Now, as we reconvert our vast wartime machinery to the pursuits of peace, what happens in the largest corporation in the Nation and in one of its greatest industries will influence all of us.

Labor has proposed to General Motors Corp. that an increase in pay to employed workers be made which will offset the 23-percent cut in take-home pay which has resulted since VJ-day. Labor has pointed out that the financial structure and earnings of the General Motors Corp. make such a wage adjustment possible without increasing the cost of automobiles to the buying public.

Mr. Charles E. Wilson, president of the General Motors Corp., has declared, following a conference with President Truman, that either the Government will have to raise prices, labor will have to take the present 23-percent cut in take-home pay, or the Congress must amend the Wages and Hours Act to increase the normal workweek to 45 hours. Were the Congress to legislate this longer workweek, the result would be, Mr. President, a substantial increase in the number of jobless workers throughout the Nation. In view of this disastrous prospect, the move suggested by the president of General Motors is unthinkable. There remains, then, a demand for increased prices of product or continuing the reduction in the size of pay envelopes which has already lowered the standard of living of automobile workers by one-fourth. Neither alternative offers any prospect of continuing high levels of production and employment.

In contrast with these, there is the proposal of the automobile workers themselves. It is in keeping with the position of the present administration to maintain the take-home pay of workers and at the same time to prevent sharp increases in the cost of goods to the consuming public. The United Automobile Workers have declared that such a proposal as contained in their brief to the General Motors Corp. is completely possible.

In summarizing their telegram to me, they say "We have made a fair offer to the corporation and to the public. If our contentions can be disproved, we will compromise. Unless and until they are, we will not concede one red cent."

Mr. President and Members of the Senate, the problems of which I have spoken, freighted so heavily with great concern to all American citizens, are to be solved in most particulars by the actions of the administrative branch of this Government. The issue is properly before the President and Secretary of Labor for solution. I know they have already taken necessary first steps to find an adequate solution. I am confident that they will do all that is necessary and in their power to prevent the catastrophe of a major strike affecting so many millions of our people.

Mr. President, it is vitally important that both sides to this controversy make clear to the American people without equivocation or deception the facts upon which they stand. They owe an obligation to the American people to prevent the dangerous consequences of a strike which will demoralize the country. Both sides must take the public into their full confidence and give a straightforward, honest statement of the facts so that the American people may know whether this demanded increase in wages may be made without an increase in prices.

On the part of labor, a clear-cut statement of the facts has been presented in a brief which I ask to be inserted in the RECORD at the conclusion of my remarks. Labor has stated it is willing to recede from its demand or adjust its proposal in view of any new facts developed.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

OCTOBER 1945.

PURCHASING POWER FOR PROSPERITY—IN THE MATTER OF INTERNATIONAL UNION, UNITED AUTOMOBILE, AIRCRAFT, AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (CIO) AND GENERAL MOTORS CORP.—THE CASE FOR MAINTAINING TAKE-HOME PAY WITHOUT INCREASING PRICES

ECONOMIC BRIEF—PART I

(Presented by Walter P. Reuther, vice president, director, General Motors Department, UAW-CIO)

Letter of transmittal

CHARLES E. WILSON,
President, General Motors Corp.,
Detroit, Mich.

DEAR MR. WILSON: This brief is presented to General Motors Corp. in support of the demand of the International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America (CIO) for a 30-percent increase in basic wage rates in order to maintain take-home pay without any increase in the prices of General Motors products, and for other amendments of the agreement between this union and the corporation.

The demands of the union covered by the attached part I of our brief are based upon these considerations:

The GM workers' annual earnings will fall disastrously if present wage rates are continued in effect. A 30-percent increase in rates is imperative to maintain take-home pay and to prevent disastrous retreat, all along the line, from the national objective of maintaining the peacetime economy.

This is the first step toward a standard of living that is 50 percent higher than we have ever known—the standard of living of full production and full employment proclaimed by the National Government and pledged by both Presidential candidates in 1944.

While GM wage rates must be raised, GM prices must not be increased. For General Motors workers to demand wages so high as to require higher prices of automobiles would be against the public interest and would provide only a temporary gain to the workers. In the long run, higher prices limit sales and jobs.

Manufacturers of automobiles and other durable goods have a major responsibility in building purchasing power for the products of the entire economy. Their products will be in great demand. They will produce at capacity.

Unless these industries begin now to lead the way toward a far larger spending power in the hands of the people than we have ever known, their brief boom will collapse and they will carry the Nation back to a depression with 19,000,000 unemployed.

Part II will present proof that the corporation can meet the need described in part I, that the corporation can meet the union's demands and still have higher profits than ever before in its rich history of war and peace production.

WALTER P. REUTHER,
Vice President, Director, General Motors Department, International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America (CIO).

DETROIT, *October 19, 1945.*

A. Maintenance of GM workers' wartime level of real wages—equivalent to 30 percent increase in present wage rates without price increase—is an indispensable "must" in order to prevent disastrous retreat from the national objectives of adequate purchasing power in the peacetime economy.

1. A 30-percent rise in present wage rates is necessary to approximate prereconversion take-home pay.

As a result of reconversion and the restoration of the 40-hour week, in place of the wartime scheduled week of 48 hours with overtime for the last 8 hours, GM workers who remain in jobs at the same straight-time hourly pay have sustained weekly pay cuts of 23⅓ percent. To undo these pay cuts and restore their take-home, their rates must be raised by 30 percent.

Large numbers of workers reemployed on peacetime work are being downgraded, with a resulting reduction in their hourly rates of pay. For workers who have taken a loss of 8 hours in overtime and a loss in basic wage rate through downgrading, the 30 percent increase over present rates will not completely restore the drop in their take-home pay.

Even giving consideration to the fact that the average realized workweek in 1943 and 1944 was less than 48 hours, a 30-percent rise in wages over present average pay schedules (which reflect much downgrading) will not quite bring the weekly take-home of the employed worker to the level of the war years.

2. Maintenance of take-home pay is absolutely essential if we are to undertake the national task of achieving a standard of living 50 percent above prewar levels.

a. In its 1940 annual report, GM stated (p. 28):

"The corporation recognizes the importance of improving the economic position of its workers from the standpoint of both their progress and stability, hence advancing their status in a fundamental way. Such a policy is not only socially desirable but economically necessary because of the vital importance of the purchasing power of the factory worker."

Thus GM has approved the principle of maintaining purchasing power in line with productive capacity.

b. In their report to the President on February 12, 1945, the public members of the NWLB said:

"As to the maintenance of purchasing power in the period of reconversion, the rate increases proposed for that purpose are really put forward as a first step toward the higher level of national economy and of real wages that we are looking forward to in the postwar period. As we go forward to a time of full conversion to peacetime economy after the war, the goal is a level of production, distribution and consumption high enough to absorb into peacetime production all the enormous capacity for production we have demonstrated in war. This means a level of civilian demand and purchasing power high enough to substantially replace all the present wartime demands of the Government. Any such level of civilian consumption means a very great increase in our standards of living. As we move out of the wastage of total war back to peacetime and the promise of the future, we will no longer be thinking or speaking about maintaining prewar wage standards. The cost of living adjustment of the Little Steel formula will have to give way to wage and price adjustments which definitely raise the general level of real wages" (page 27)

c. OWMR Director (now Secretary of Treasury) Vinson has authoritatively determined what this means in the present situation.

"The American people," he stated (Third OWMR Report, p. 57), "are in the pleasant predicament of having to learn to live 50 percent better than they have ever lived before. Only the defeatist can scoff at this inescapable fact that we must build our economy on that basis."

Secretary Vinson went on to say in this same report, "American business is coming to realize that a high wage policy is in the long-run interest of everyone because it helps create the markets necessary to move goods from farm and factory—to store shelves—to the homes of America. And these high wages are necessary to achievement of the high standard of living which we can and must attain. Labor will continue to bargain for higher wages and management is recognizing the right of collective bargaining as a proper part of an economic democracy."

This means a 50-percent increase in the real standard of living over 1940—as applied to 1939 it means an increase of approximately 75 percent. In the light of Government-stated objectives for the economy, our UAW-CIO demand for maintenance of the wartime level of take-home pay—without deterioration through price increases—not only is not exorbitant, but is elementary common sense. UAW-CIO does not ask for immediate attainment of the full Vinson objective. It asks that we do not slide back from levels already achieved.

3. Acceptance of present reduced wage levels would mean disastrous economic retreat.

The pay roll of General Motors in 1944 (hourly workers alone) amounted to nearly a billion dollars ($995,000,000). For 1946, even with the corporation's optimistic estimates on employment (235,000 hourly-rate workers) and assuming that the realized working week will be 40 hours, the pay roll would fall to $660,000,000. At a time when we are depending on the automobile industry and other durable-goods industries to take the place of Government war spending and to provide employment for the returning veterans, General Motors would be slashing consumer purchasing power by $335,000,000.

From the point of view of the individual worker the retreat would spell disaster:

In 1940 the average annual earnings of GM workers were	$1,804
To achieve the Vinson objective of a 50-percent increase in the standard of living above prewar, it is necessary—	
To increase 1940 wages by 50 percent	$2,706
And to adjust this for the 30-percent increase in cost of living since 1940	3,516

The necessary annual earnings are thus over $3,500. In 1944 the GM workers' average earnings were $2,960.

In 1946 the GM workers' average earnings at present wages rates and at 40 hours of work a week will be reduced to	$2,300
Leaving a deficit of more than	1,200

It should be noted that the 1946 earnings, under existing living costs, will buy slightly less than the 1940 earnings of $1,804.

Thus, after 6 years of war expansion and war production, during which the economy has expanded to the extent that a 50-percent increase in consumption is necessary to keep it going, the worker is back where he started.

If this policy were applied to all the workers of the country—if all workers had wages which permitted them to buy only the same amount of goods and services which they bought and consumed in 1940—it would quickly spell disaster for the whole country. The Department of Commerce study, Markets After the War, which was prepared for and circulated by the committee for economic development, an organization of businessmen, says plainly that a postwar physical production at 1940 levels means 19,000,000 unemployed.[1]

To be sure, the prediction of 19,000,000 unemployed will not be realized immediately, for, while workers will be paid at 1940 wage levels (in terms of purchasing power), consumption demand—and therefore production and employment—probably will be temporarily sustained at higher levels because of temporary pent-up demand at home and abroad. But eventually the payment of 1940 wages will give us 1940 levels of consumption and production, and that means 19,000,000 unemployed.

The strength of even this temporary demand may prove disappointing. Much of the alleged $140,000,000,000 of personal savings undoubtedly is in the hands of well-to-do persons who are looking for investment opportunities for the bulk of their savings. The study on Providing for Unemployed Workers in the Transition made by Richard Lester for the Committee for Economic Development, reviewed all the evidence available by the end of 1944 and concluded that "the bulk of the wartime saving by workers has occurred in families with an income above $3,000 a year. * * * At least a quarter, and probably a third, of the wage earners' families in this country had, by 1944, accumulated little, if any, savings, in spendable form."

Alvin H. Hansen, special economic adviser to the Board of Governors of the Federal Reserve System, had this to say on war bonds, in January 1999:

"Of the $165,000,000,000 of Government bonds now outstanding, $105,000,000,000 are in the hands of institutions. * * * None of these is a potential spender in the consumer's market. * * * Of the remaining amounts, which are in the hands of individuals, only $25,000,000,000 are War Savings bonds, of a sort that are widely held by the people, of which at least a third are held by well-to-do people. So that (source of consumer demand) has been very greatly exaggerated."

The moderate character of the UAW-CIO 30-percent-wage demand is revealed by the fact that it only partly counteracts the drop in GM's contribution to purchasing power. Even with the restoration of the $3,000 annual take-home pay of 1944, the GM pay roll would still decline by $150,000,000 in 1946—again based on GM's optimistic forecast of GM employment. Similarly, as regards the individual standard of living, the UAW-CIO wage demand falls short of bringing the worker immediately up to the $3,500 called for by our postwar productive capacity. It would merely keep the worker's wage at the standard reached in 1944 and prevent it from dropping back to the 1940 wage.

B. In demanding that GM meet its wage demands without price increases, UAW-CIO is giving proof of its recognition of the requirements of national policy. Wage policy for the Nation requires that reconversion wage adjustment be absorbed (except in isolated cases) out of industry's existing price levels.

1. UAW-CIO does not base its demands on short-run selfish considerations, but is basing them on enlightened long-run considerations which identify the true interest of the union with the general interests of the public.

The UAW-CIO demands not only do not conflict with the public interest, but actively promote the public interest. The easy way to get wage increases is to conspire with industry to get price increases from OPA, getting wage demands met out of prices at the expense of the general public.

This is the philosophy of "The public be damned!" It is the philosophy which GM, in its newspaper ads—paid for to the extent of 85½ percent by the United States Treasury—is accusing us of following, although it is precisely the policy we rejected.

We do not want our wage demands met out of price increases. Our letter of August 18 serving our demands on General Motors so stated. General Motors well knows this, but will do its best to deny it in its appeals to the public.

By refusing to discuss with UAW-CIO its ability to pay without price increases, and by refusing to discuss its profits, GM has adopted a "public be damned" attitude not only for itself but as a model for other corporations to follow. It has told our negotiators that profits were none of our business, and since our interest in profits is to protect the public from any increase of prices by General Motors, its refusal to talk prices or profits is the equivalent of stating that these subjects are none of the public's business.

2. The present economic situation requires industry as a whole to make a liberal contribution to wage rises without increasing prices.

With a drastic cut in Government war expenditures, which will fall from an annual rate of $92,000,000,000 in July 1945 to an annual rate of $44,000,000,000 in the second quarter of 1946, every group but big business faces a severe deflation of its income and purchasing power. Only big business is set for a phenomenal increase in its take-home profits.

According to the published estimate of national income used in congressional tax calculations, the Nation's income for 1946 will be $130,000,000,000—20 percent down from the war level.

That estimate of national income for 1946 implies unemployment of 8,000,000, and a drop in total wages and salaries by some $20,000,000,000, or nearly 25 percent from 1944 levels. The most severe drop will occur in manufacturing pay rolls. Here the indicated drop in take-home pay for the average employed worker—due to loss of overtime, downgrading, and to shift to lower-pay industries—is 29 percent. Including the effect of decreased employment,

[1] "It seems almost certain that postwar output must exceed the best prewar year. If it should be no more than in 1940 there would be the 9,000,000 who were unemployed in 1940 plus the 2,500,000 added to the civilian labor force between 1940 and 1946 plus 8,000,000 who would be displaced by improvements in efficiency over the 6 years—a total of over 19,000,000 unemployed." (Markets After the War, p. 3.) Note that the study makes no allowance for the abnormal entries into labor market during the war, some part of whom may be expected to remain and swell the ranks of the unemployed.

the drop in manufacturing pay rolls is estimated at 42 percent.

Agricultural income, which always follows closely the trend of urban wages and salaries, is expected to suffer a drop of 25 percent or $3,000,000,000 in 1946—going from $12,400,000,000 in 1944 to about $9,500,000,000 in 1946.

While retail sales and small business generally will for the moment maintain their wartime levels of prosperity, this will be due to a temporary factor—the spurt in durable-goods sales, representing a pent-up demand from the war, financed by wartime savings put aside for that purpose. For a time this will compensate for and cover up the serious decline in the market for nondurable goods due to declining levels of current income among workers and farmers.

Big business alone will be more prosperous than ever before. While corporation profits before taxes are expected to fall from the 1944 levels of $25,000,000,000 to $18,000,000,000 in 1946, corporation take-home profits after taxes (thanks in part to the repeal of the excess-profits tax) will rise from $9,900,000,000 to $11,000,000,000. This estimate takes no account of the disguised profits through padded amortization allowances which the law permits, nor the generous refunds on both the excess-profits taxes and the ordinary corporation income taxes which will be given to individual corporations that fall below their base-period profits or sustain operating losses.

Nowhere will this unprecedented prosperity of business in the midst of general decline of national income be so marked as in the case of manufacturing. Profits of manufacturing corporations before taxes are estimated for 1946 at $11,000,000,000 as against $15,000,000,000 in 1944. But the profit take-home after taxes will rise from $5,000,000,000 in 1944 to $6,500,000,000 in 1946. The take-home profits of manufacturing corporations during the peacetime years 1936–39 averaged $2,100,000,000.

These estimates probably make insufficient allowance for the decline in manufacturing costs due to elimination of overtime and to downgrading, as well as to increased labor productivity. After the last war, labor productivity in manufacturing rose by 10 percent a year for 3 years straight. Since the technological progress in this war has been far greater than in World War I, the rise in labor productivity, when industry is fully converted, should be even more pronounced than in 1919, 1920, and 1921. United States Commissioner of Labor Statistics Ford Hinrichs recently testified before a Senate committee that this would probably prove to be the case.

3. To tolerate the existing wage-profit trends is to invite a crash in 1947 or 1948 which will make the great depression a minor recession by comparison.

Prosperity predicted for 1946 is a false prosperity—it is a prosperity for everybody but the people. It is built on the principle of paying business more for producing less and for employing fewer people. It is built on the shifting sands of pent-up demand instead of on the solid rock of giving the workers enough purchasing power to buy back the goods they currently produce.

Our economy could not tolerate in 1929 the high business profit and large savings of the wealthy of that year even though the economy was then operating at close to full employment and the national income as a whole was rising. How can it tolerate the even higher profit margins of 1946 at a time of mass unemployment and sharp drop in the national income?

If in 1929 we could not invest the business profits and the savings of the wealthy for expanding our productive capacity, because there wasn't enough purchasing power at the base to buy the products of expanded industry, how can we hope to do so in 1946 when the mass purchasing power is even smaller and when we have inherited a greatly expanded productive capacity from the war? Early in 1946 the necessary reconversion expenditures to adapt our war economy to peace will already have been made, and we shall face the impossible task of finding investment expansion outlets for thirty to thirty-five billion dollars a year at a time when our productive capacity already is far too big for the mass purchasing power that is available.

Only if business joins labor in immediate action to readjust the wage-price relationship can the Nation be put in a position to cope with the tremendous problems of managing our $200,000,000,000 economy without a disastrous tailspin and crash.

The demands of labor for wage adjustments without price increase are not intended to solve the whole economic problem overnight. Other measures on the part of business, labor, and Government will be necessary as the country gets its bearings. But we must begin now by maintaining take-home pay and remedying substandard and inequitable wages, or we shall be confessing defeat before we start. We shall be advertising to the world that American business is so greedy for immediate (but unstable) profits that it insists upon them even at the price of sentencing the whole economy and itself to disaster.

C. Manufacturers of durable goods, especially automobiles, have a major responsibility to promote full employment by raising wages without increasing prices.

1. Pent-up demand for their products will give them a ready market for capacity volume.

The effect of increasing volume on reducing unit costs and increasing profits is an old story, but never in peacetime have producers been presented with the bonanza of being able to plan in advance for capacity production for a guaranteed market. The profit prospects for durable goods industries, especially automobiles, are the brightest in history as a result of 4 years' interruption of production.

The profit potential of the durable-goods industries producing for this guaranteed market is revealed by their own reports to the War Production Board. Their reports show break-even points of 50.6 percent for the durable-goods manufacturers as a whole, exclusive of automobiles, and 55 percent for the automobile industry alone. These forecasts—made by industry—are forecasts of immense profits on production at capacity levels. In the nature of the case these estimates err on the conservative side, since a manufacturer is not likely to exaggerate in a report to the Government of his ability to draw a profit at a very low percentage of capacity. A realistic analysis of the break-even points of these industries undoubtedly would show them at much lower figures, possibly in the neighborhood of 30 percent.

Even if their peacetime profit margin were low, durable-goods manufacturers, presented with the bonanza of capacity production, would now be under the obligation to the public to renegotiate their profits with labor and with the consumer. The durable-goods producers did not by their own efforts create the present capacity markets for their products; that has been done for them by the war and by the sacrifices which the people had to make for the war, at a time when durable-goods manufacturers were being well paid indeed for producing war materials. The bonanza profits of pent-up demand—profits which are now to be relieved of excess-profits taxes—cannot be regarded as the producers' own business—they are in very large part the concern and business of the public and the concern and business of labor as well.

2. The peacetime profit position and the general financial situation of the durable-goods industries has been far more favorable than those of other industries.

OPA profits studies show that nondurable goods manufacturers' profits before taxes, expressed as a percentage of invested capital, was 8.8 a year for 1936–39 and rose to 16.1 for the boom year 1941. The same figures for durable-goods producers (excluding automobiles and equipment) were 9.7 for 1936–39, and 30.4 for 1941. For automobiles and equipment the 1936–39 average was 19.4, and the 1941 return was 42.5. When it is borne in mind that the durable-goods manufacturers, when converted to war production, operated in the excess-profits brackets and thus have substantial tax cushions in addition to the guaranteed markets on their production for pent-up demand, there is no financial excuse for their not taking the lead in a wage policy that is geared to the objective of sustained full purchasing power for the products of full employment.

3. The country looks to the durable-goods industries to provide a sound basis for postwar prosperity, and it is up to these industries—and particularly to the automobile industry—to convert the present pent-up demand into a large and permanent reservoir of demand through wider distribution of purchasing power.

The pent-up demand for durables, under conditions of declining national income, is too small and too slight a base upon which to build permanently either the prosperity of the durable-goods industries or the prosperity of the country. All postwar planning studies, including that of the Committee for Economic Development, indicate that to utilize our postwar productive capacity we shall all have to consume about 50 percent more goods and services than in 1940. But in many of the nondurable fields we are already close to the optimum limits of consumption—at least under present distribution of income. Therefore, the needed expansion of consumption will have to come to a very large extent in the durable-goods sectors. It is this potential increase of durable-goods consumption which the durable-goods industries can actively promote if they will adopt a wage policy that provides the necessary purchasing power, while holding prices down so that the wages may buy the total product.

By similar means, years ago, the automobile industry received its original burst of development—it set the style of high wages for the country as a whole, and the automobile industry thus benefited not only from the high purchasing power of its own workers but from the high purchasing power of workers generally.

As Dr. Edwin G. Nourse, vice president of the Brookings Institution, writes in his epoch-making book, Price Making in a Democracy (pp. 266–267):

"Henry Ford early came to the conclusion that even cheap automobiles could not be sold (in numbers needed for low-cost technique) in a society in which workingmen earned only two or three dollars a day. As early as 1914 he took the revolutionary step of adopting a $5-a-day minimum for his factory labor (then getting an average of $2.40) and raised it shortly to a $6 minimum. The results not only appeared to satisfy him but to impress other automobile companies so much that similar raises were made by them, and the practice spread to other lines of industry. Payment of high wages came to be regarded as an important factor in the industrial prosperity of the twenties and became the object of study even by industrial delegations from abroad. Undoubtedly the fact that practically every workman whose pay was raised by automobile and other manufacturers had an ambition to possess an automobile (even a Ford) led to a favorable sales response to his action."

The time has arrived for a repeat order on this policy, adapted to the wage-price-profit facts of life as they are today. Today's giant successors to the Ford of 1914 frequently recall with pride the courage of this bold initiative, but they have long since forgotten

to follow his example. By repeating the high-wage policy of its pioneers, the automobile industry, along with all durable-goods manufacturers, has the opportunity to open the door of America upon the glittering economic realities of our full production potential. They can phenomenally and permanently expand their own markets. At the same time they can help to build markets for other industries and for farmers and service industries and doctors and teachers and others. So doing, these industries will play the leading part that is theirs in insuring the general prosperity of the Nation.

D. The time to adjust wages (without increasing prices) is now.

1. The contention of business that it is necessary to wait for full production before adjusting wages means that the workers will bear the bulk of the costs of reconversion.

Workers are already bearing the unemployment cost of reconversion. They must not be required to bear the additional burden of reduced wage rates on the theory that large profits may not come for another 3 to 6 months. The developmental cost of any business operation is recognized as a charge on capital, not as a charge on labor.

2. Business is exceptionally well-heeled as a result of wartime operations and generous contract settlements and has been granted excess-profits tax carry-backs as an extra insurance to meet the developmental costs of reconversion.

General Motors alone is eligible to draw back as much as $160,000,000 from the United States Treasury in 1945 and in 1946 if profits during these 2 years fall below base-period earnings. This excess-profits tax carry-back privilege was granted to business to encourage it to use every effort to maintain employment, production, and purchasing power. If there is any risk in granting decent wages to workers, it has been specifically provided for by the excess-profits tax carry-back privilege.

3. Congress in drastically cutting business taxes now in order to stimulate business expansion has recognized that the time to stimulate the economy is now and that it is dangerous to procrastinate.

The whole style of the postwar economy is being set now. The action of business on wages is determining whether we intend to maintain permanent prosperity on a broad base of mass-purchasing power or whether we shall have a brief period of prosperity for the few followed by an economic collapse for all. In 1946, when the reconversion boom will be past its peak, and the cut in mass income will begin to show its permanent effects, a revision of wages from present levels will be insufficient to check the drift toward collapse. We shall then be hell-bent for depression, and the moderate remedies which can be applied now will be insufficient then.

4. A courageous stand on wages now will not destroy profits but will result in greater long-run profits for business.

Mass purchasing power is our new frontier, and only by developing this new frontier can business maintain the source of prosperity from which profits flow. This is not radical doctrine—this is conservative doctrine.

It has been emphasized by the Temporary National Economic Committee of the United States Congress. It has been endorsed by the Roosevelt and Truman administrations and their supporters in Congress. It is endorsed by such a body as the Brookings Institution:

"Inadequate buying power among the masses of people," it says, "appears to be fundamentally responsible for the persistent failure to call forth our productive powers. It has been shown that the standards of living desired for the American people as a whole can be atttained only if we somehow greatly increase the national output of goods and services. Our problem is to determine whether the flow of the income stream can be so modified as to expand progressively the effective demand for goods."

We repeat the statement of Secretary of the Treasury Vinson, reporting as Director of War Mobilization and Reconversion to the President July 1, 1945:

"American business is coming to realize that a high-wage policy is in the long-run interest of everyone because it helps create the markets necessary to move goods from farm and factory—to store shelves—to the homes of America."

ECONOMIC BRIEF—PART II, SECTION 1

Letter of transmittal

CHARLES E. WILSON,
President, General Motors Corp.,
Detroit, Mich.

DEAR MR. WILSON: Herewith is presented part II, section 1 of the brief in support of the demand of the International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America (CIO) for a 30-percent increase in basic wage rates in order to maintain take-home pay without any increase in the price of General Motors products and for other amendments of the agreement between this union and the corporation.

Part I, presented to the Corporation on October 19, 1945, set forth the need of GM workers and the entire economy for such maintenance of take-home pay, if we are to make the transition and full employment for peace on a stable and lasting basis. We showed that failure of General Motors and other durable goods manufacturers to raise wages without increasing prices will create a false prosperity lasting only a year or two, followed by the worst depression in our history. We showed that the first step toward a full production and full employment economy in which Americans could have the purchasing power (the wages) to consume 50 percent more than ever before is the increase of wage rates to maintain take-home pay. We stressed the interest of farmers and businessmen in thus maintaining the market for their products.

Part II, section 1 of our brief proves that:

"General Motors can pay the increase in wage rates; it can do so without increasing the prices of its products; it can do it now.

"General Motors before the war could have paid substantially higher wages without increasing prices and still have had high profits—even at the relatively low levels of output then prevailing.

"General Motors in the prewar year, 1941, received more in profits (before taxes) for each man-hour worked by GM workers than it paid out in wages. The GM worker produced $1.07 for his family and $1.09 for GM stockholders every hour he worked in 1941."

Later sections of part II will show that increased volume of output, together with higher labor productivity in postwar production, will greatly increase GM profits on each hour worked by every GM worker, and therefore will reinforce its ability to pay the increased wage rates without any increase in the price of its products. We will show, finally, that because of its cash reserves, its new equipment furnished during the war at public expense and the many aids and insurances given by the tax laws, the corporation cannot lose. It can pay 30 percent higher wage rates without higher prices and still get into profitable production early in 1946, well before it reaches anticipated capacity production.

Its first full year of postwar production will be astonishingly profitable.

As a supplement to part I of our brief, which I presented October 19, I am presenting the New York Times October 18 report of certain statements on wages, prices, and the welfare of the Nation's economy made by Director of War Mobilization and Reconversion John W. Snyder. You will find that he confirms and supports the facts and logic upon which we base our demand for 30-percent increase of wage rates without increase of prices.

WALTER P. REUTHER,
Vice President, Director,
General Motors Department, UAW-CIO.
OCTOBER 23, 1945.

[From the New York Times of October 18, 1945]

SNYDER SAYS WAGES CAN BE RAISED BY INDUSTRY WITHOUT PRICE INCREASES—WITH OVERTIME GONE, COSTS ARE LOWER, HE TELLS CONNECTICUT MANUFACTURERS — EXCESS-PROFITS TAX WILL HELP

NEW HAVEN, CONN., October 17.—John W. Snyder, Reconversion Director, said today that because of decreased production costs "many industries should be able to grant wage increases that will not in turn mean price increases."

But, he added, a "sizable number" of others would have high production costs for some months yet.

Addressing the annual meeting and reconversion conference of the Connecticut Manufacturers Association, Mr. Snyder said the industries which ought to be able to grant wage increases were those now in production who were basing their prices "on the old cost of labor under the overtime conditions" which were done away with when the war ended.

"The proposed reduction of the wartime excess-profits tax, which took up to 85 percent of the higher wartime profits, will also assist industry to raise wages where necessary without raising prices," he asserted.

He conceded that for a sizable number of businesses the task of retooling, finding new markets, and evolving new patterns of distribution would keep unit costs of production relatively high for some months.

LABOR DEMANDS UNDERSTANDABLE

Declaring that with the end of overtime pay labor's demands for higher wages were understandable, Mr. Snyder said:

"The take-home price of the essentials of life remains high; the workers' take-home pay has fallen. Squeezed in that vise, the worker can do only two things—either he gets more money, or he has to reduce his standard of living. With a reduced standard of living, he will buy less, the purchasing power of the market will suffer, and manufacturers will feel it ultimately in reduced orders."

Whether wage increases could be granted, and to what extent, depended, Mr. Snyder said, on the answer to this "common-sense question":

"How much of an increase can the individual company afford to pay if it is left to meet its pay rolls and stay in business?"

He urged labor and management to work together to achieve cost reductions which could be passed on to workers in higher pay and to consumers in lower prices.

CALLS FOR EXPANDING OUTPUT

Mr. Snyder said "reconversion" was an unfortunate term to describe the phase through which industry was now going because it carried with it a sense of going back.

"We are going ahead," he said, to try to expand our output to 40 or 50 percent above anything we ever accomplished before.

"Increased employment will expand markets and in turn make it possible to expand our production. To maintain full employment and full production we need a steady consumer demand that increases year after year. In 1940 we had our greatest prewar production, a total of $97,000,000,000 in goods and services. During that year there were 47,000,000 men and women at work in the country, including the armed forces—and we had 7,000,000 or 8,000,000 unemployed.

"That was our greatest prewar year, but we cannot afford to go back to that. Increased efficiency and the growth of our work force would mean that instead of 7,000,000 or 8,000,000 unemployed, we would have millions more."

PART II

General Motors Corp. can pay a 30-percent increase in wage rates without increasing the prices of its products, and it can do it now.

A. General Motors is one of the most profitable of American corporations. Its profit-making capacity has been consistently demonstrated throughout the 28 years of its existence, and continues down to the present. The profits it earned before the war on production of peacetime products could have paid a substantial increase in wages without any increase in prices, leaving a high return on invested capital even at the relatively low levels of output that then prevailed.

Increased output and higher labor productivity on postwar production will even more readily permit of a 30-percent increase in wage rates. The rate of profit earned by General Motors undoubtedly will be large at this high volume of production. As its output approaches capacity, or 2,800,000 passenger cars a year, it will make profits far in excess of any year in its history, possibly reaching $600,000,000 a year, after taxes, due to the rapidity with which its profits rise when its production increases, as revealed by analysis of its past performance.

1. The automobile industry stands at the top of American industries in profitability.

A report on profits of 2,187 industrial corporations by the Office of Price Administration shows the high standing of the automobile industry as a profit maker in the prewar years, 1936 to 1939, inclusive, as follows:

Percent earned on investment

	Before income taxes	After income taxes
	Percent	*Percent*
Automobiles	20.6	16.7
Durable-goods manufacturing	10.2	8.3
All manufacturing	9.9	8.1
All companies	9.8	8.1

Profit per dollar of sales

	Cents	*Cents*
Automobiles	12.1	9.8
Durable-goods manufacturing	10.0	8.1
All manufacturing	9.1	7.5
All companies	8.4	6.9

2. General Motors stands at the top of the automobile industry and at the top of all corporations in the United States in sustained profit-making capacity.

(a) General Motors profits for the 1936–39 period compare with the foregoing data for the auto industry as follows:

	GM	Industry
	Percent	*Percent*
Percent earned on investment after taxes	17.7	16.7
Profit per dollar of sales:	*Cents*	*Cents*
Before taxes	16.1	12.1
After taxes	13.1	9.8

(b) In its report on the motor vehicle industry (1939), the Federal Trade Commission noted that General Motors' profits from 1927 to 1937, inclusive, averaged "no less than 35.5 percent." The Commission also reported—

"General Motors Corporation is often referred to as the world's most complicated and most profitable manufacturing enterprise" (p. 419).

"General Motors earned more profits for its stockholders during the 11-year period, 1927 to 1937, inclusive, than any other manufacturing corporation in the United States, but its total assets of $1,566,000,000 at the close of 1937 were slightly exceeded by a few other domestic corporations" (p. 1060).

General Motors is, and always has been, a prodigious money maker.

(c) One thousand dollars invested in 10 shares of General Motors Corp. at its inception in 1917 has earned the investor $930 a year in dividends and increase in value. This is a return of 93 percent per year on his original investment without 1 cent of additional outlay during the entire period.

(1) Increase of shares owned: In 1917, two shares of common stock of General Motors Co. could be bought for $1,000. These were exchangeable August 1, 1917, for 10 shares of General Motors Corp.

Since that date these original 10 shares have expanded through stock split-ups and stock dividends to 201$\frac{5}{16}$ shares of present General Motors common, without any additional investment by the shareholder, and without exercising the rights to subscribe offered in 1919 and 1920.

(2) Cash dividends: Cash dividends have been paid every year on General Motors Corp. common. The amount of these dividends, including the cash value of rights in 1919 and 1920, on the $1,000 investment in 1917 are tabulated below.

Twenty-eight years of earnings on 10 shares of General Motors Corp. common costing $1,000 in 1917

Period beginning	Period covered	Total earnings	Earnings per year
	Years		
1917	3½	$515.00	$147.10
1920	4	575.12	143.80
1924	2	557.66	278.80
1926	1	624.84	624.80
1927	1½	1,068.28	712.20
1929	16	8,788.13	549.30
Total	28	12,129.03	433.20

During the 16 years beginning with 1929, depression and recovery were reflected as follows:

Period beginning	Period covered	Total earnings	Earnings per year
	Years		
1929–31	3	$1,935.00	$645.00
1932–34	3	806.25	268.75
1935–38	4	2,418.75	604.69
1939–41	3	2,217.19	739.06
1942–44	3	1,410.94	470.31
1929–44	16	8,788.13	549.30

(3) Increase in value of holdings: In addition to cash dividends, the investor has shared in the increased value resulting from earnings retained by GM in its business. Present market value of the 201$\frac{5}{16}$ shares which the investor now holds is $14,915.62, an increase of $13,915.62 over the original investment.

(4) Total return on $1,000 in 28 years: The $1,000 invested in 1917 has received earnings, in cash and increased value, as follows:

Cash returns	$12,129.03
Increase in value	13,915.62
Total	26,044.65

The average annual rate of return is $930 or 93 percent of the original investment.

Even in 3 years of depression this investor's cash return averaged $268, or 26.8 percent of his investment.

In the war years 1942–44 he has averaged a cash return of 47 percent. With the 1944 dividend rate extending into 1945, and with the market price of the stock rising, his total return for 3½ years of war has amounted to $1,713.10 in cash and $745.78 increased value, a total of $2,458.88, or at a rate of $702.54 per year—better than 70 percent on his investment.

(d) The long profit record of General Motors continued down to the present and was strikingly demonstrated during the most recent period in which it was engaged in manufacturing automobiles.

Profits after taxes have yielded a high return on the net investment year after year:

Year	Annual rate of return on investment	3-year totals
	Percent	
1933	9.55	
1934	10.61	37.8 percent of investment recovered.
1935	17.51	
1936	24.04	
1937	19.29	53.3 percent of investment recovered.
1938	9.93	
1939	17.38	
1940	18.01	53.4 percent of investment recovered.
1941	17.99	
1942	13.75	
1943	11.80	38.7 percent of investment recovered.
1944	13.17	

In the last 9 years General Motors earnings have paid back the stockholders' investment in full and 45.4 percent in addition, a total return of 145.4 percent.

Even in the four depression years, 1930–34, when millions of workers were unemployed, GM earnings provided an average return of 7½ percent a year, or total earnings of 30 percent on the stockholders' investment.

3. Out of its huge profits on automobile production before the war, General Motors could have paid substantially higher wages than it did pay, without any increase in the prices of its products, and providing a high annual return to stockholders.

(a) In its last 6 years of automobile production (1936 to 1941, inclusive), General Motors earned almost as much in profits as it paid out in wages to GM workers.

Profits before taxes (with which wages properly are compared, since GM pays no income tax on what it pays to workers) from 1936 to 1941 totaled $1,745,518,000.

Wages paid to hourly rate workers totaled $1,927,331,000.

Thus for every dollar paid to GM workers from 1936 to 1941, inclusive, GM earned 91 cents in profits before taxes.

(b) General Motors could have paid 30 percent greater wages than it did pay from 1936 to 1941 and would have earned an average net income after taxes of $132,000,000 a year—more than 12 percent a year on its investment.

[In thousands of dollars]

Year	Cost of a 30-percent increase to hourly workers	Profits before taxes	Profits after deducting 30-percent wage increase
1936	84,263	277,591	193,328
1937	100,809	245,130	144,321
1938	56,670	132,909	76,239
1939	79,155	242,597	163,442
1940	107,176	336,455	229,279
1941	150,127	510,836	360,709
	578,200	1,745,518	1,167,318

After paying estimated income taxes of $375,000,000 on these reduced profits before taxes, GM would have had net income after taxes of $792,318,000 for the 6 years.

This is an average net income (after taxes and after paying 30 percent more in wages) of $132,053,000 per year.

During that period the average investment (net worth) of the corporation (including contingency reserves) was $1,093,227,000.

Therefore, GM stockholders could have received an annual return of 12.8 percent on their investment during these 6 years, while GM workers would have been receiving 30 percent more in wages than they did receive.

All this could have been done in a period when GM was producing on the average only 1,500,000 passenger cars a year. Now we shall look at its best production year, and at the future.

(c) In its latest and greatest year of automobile production, 1941, General Motors Corp. actually received more in profits—before taxes—for each man-hour worked by GM workers than it paid out in wages.

(1) Total man-hours worked by hourly rate workers	469,225,000
(2) Total pay roll of hourly rate workers	$500,422,000
(3) Net sales	$2,436,801,000
(4) Operating profits, before taxes	$486,037,000
(5) Total profits, before taxes	$510,836,000

Each man-hour worked therefore produced—

Wages (2) divided by (1)	$1.066
Sales (3) divided by (1)	5.193
Operating profits, before taxes (4) divided by (1)	1.036
Total profits, before taxes (5) divided by (1)	1.089

The GM worker produced $1.07 for his family and $1.09 for GM every hour he worked in 1941.

(d) The profits made by General Motors Corp. in 1941 (its last and largest year of automobile production) prove that it can now pay the 30-percent increase in wage rates we demand and still make record breaking profits.

This can be shown by the following approximate calculation of adjusted costs and profits on the basis of 1941 output which makes no allowance for the economies of anticipated high volume of output or for increased labor productivity:

(1) To adjust for present wage demands as compared with 1941—

The 30-percent wage demand calls for an average hourly rate of approximately $1.45.

Average hourly wage paid in 1941 was $1.07.

The increase of 38 cents per hour, or 35.6 percent, would increase the $500,000,000 wage bill of 1941 by $178,000,000.

(2) To adjust for material cost increase since 1941—

Basic materials used in the manufacture of automobiles have increased in price since 1941 by less than 5 percent. But assuming an increase of twice that amount, 10 percent,

And assuming General Motors materials cost at the high estimate of 50 percent of net sales, according to automobile industry data, the material cost in 1941 would have been $1,200,000,000.

Resulting increase over 1941 in cost of materials would have been $120,000,000.

(3) To adjust for automobile price increases since 1941—

Prices of the 1942 models of General Motors automobiles exceeded average prices received in the year 1941 by approximately 9 percent.

Applying this increase to total 1941 sales of $2,437,000,000—

Increase over 1941 sales at 1941 rate of output amounts to $219,000,000.

(4) Effect on 1941 profits—

General Motors profits before taxes in 1941 were	$511,000,000
Adjusting these for—	
Increase in sales of	219,000,000
Less increase in wages	178,000,000
Less increase in materials	120,000,000
Total	298,000,000
Results in a reduction of 1941 profits by	79,000,000
Leaving profits before taxes of	432,000,000

This approximate adjustment to allow for a 30-percent increase in present wage rates, and increases of 9 percent in automobile prices and 10 percent in material costs over 1941, shows that even at the low production level of 1941 (1,860,000 passenger cars—two-thirds of capacity) GM could have profited as follows:

1. Profits before taxes of $432,000,000. These would be greater than the profits before taxes in any year of GM history except 1943 and 1944.

2. Profits after taxes amounting to $261,000,000. These would be the largest take-home profits in any year of GM history except 1928.

3. But, the anticipated increase of 50 percent in car and truck production should increase the foregoing profits by a minimum of 50 percent, so that profits before taxes are raised to $648,000,000, and profits after taxes become $400,000,000. Such take-home profits exceed by $150,000,000 the best previous profits in GM history and are more than double its average profits of the last 10 years.

4. Again it is emphasized that these results make no allowance whatever for—

(a) Increased economy and profitability resulting from increase in the volume of output from 1,860,000 cars in 1941 to 2,800,000 cars in the postwar years.

(b) Increased labor productivity resulting from technological improvement of plant facilities, tools, and processes.

This conservative estimate on the basis of 1941 performance proves that there can be no question of the ability of General Motors to pay 30 percent higher wage rates without raising prices on postwar high-volume production, and to earn very substantial profits while doing so.

ECONOMIC BRIEF—PART II, SECTION 2

Letter of transmittal

CHARLES E. WILSON,
President, General Motors Corp.,
Detroit, Mich.

DEAR MR. WILSON: Herewith is presented part II, section 2, of the brief in support of the demand of the International Union, United Automobile, Aircraft, and Agricultural Implement Workers of America-CIO for a 30 percent increase in basic wage rates in order to maintain take-home pay without any increase in the price of General Motors products and for other amendments of the agreement between this union and the corporation.

In part I, presented October 19, 1945, we set forth the need of GM workers and the entire economy for such maintenance of take-home pay, if we are to make the transition from full production and employment for war to full production and employment for peace on a stable and lasting basis. We showed that the first step toward an economy of full employment based on purchasing power (wages) 50 percent higher than ever before is the maintenance of take-home pay. We stressed the interest of farmers and businessmen in thus maintaining the market for their products.

In part II, section 1, presented October 23, we presented proof that General Motors can pay the increase in wage rates which we demand; it can do so without increasing the prices of its products; it can do it now. We showed that General Motors before the war could have paid substantially higher wages without increasing prices and still have had high profits—even at the low levels of output then prevailing. Finally, we pointed out that, in the prewar year 1941, General Motors received more in profits (before taxes) for each man-hour worked by GM workers than it paid out in wages. The GM worker produced $1.07 for his family and $1.09 for GM stockholders every hour he worked in 1941.

Now, in part II, section 2, presented herewith, we show that in the postwar period, when capacity production is assured by the market for cars, the greatly increased volume of output will make it possible for General Motors to pay the increased wage rates and make such large profits as to permit a three-way profit split among workers, consumers, and investors, resulting in reduction in the price of cars, increased take-home profits for investors, and the increased wage rate we have requested.

In the final part II, section 3, we will show that, because of increased labor productivity, big cash reserves, new equipment furnished during the war at public expense, and the many aids and insurances given by the tax laws, the corporation can't lose. Its first full year of capacity production, after paying the increased wage rates and lowering car prices, will be astonishingly profitable.

WALTER P. REUTHER,
Vice President, Director,
General Motors Department, UAW-CIO.
OCTOBER 24, 1945.

B. What General Motors has done in prewar years it can, and will, do in postwar years. It will do even better. Its long-established capacity for making profit will be greatly enhanced by the large and virtually guaranteed markets that await its postwar production. This increased volume of output together with higher labor productivity in postwar production will greatly increase the profits which GM will earn on each hour worked by every GM worker, and therefore will reinforce its ability to pay 30 percent higher wage rates without any increase in the prices of its products.

1. The automobile industry predicts that it will operate at capacity (6,000,000 passenger cars and 1,500,000 trucks per year) for at least 3 years, and will be in capacity production by June 1946.

George Romney, general manager of the Automobile Manufacturers Association, speaking in New York on September 20, 1945, said:

"Several market surveys conducted independently by individual manufacturers indicate an immediate demand for about 18,000,000 passenger cars—exclusive of trucks and busses. Based on company production plans, this probably represents about 3 years' output, but during those 3 years approximately 12,000,000 cars will be scrapped. This will leave our national car inventory substantially below prewar levels.

"I estimate that the number of cars registered will rise to a 40,000,000 level by 1960. It does not appear likely that current and pent-up demands will be met before 1952."

Eleven manufacturers of automobiles reporting to the War Production Board in August 1945 estimated that their production in June 1946 would be 504,452 passenger automobiles. ("First report on progress of reconversion in 42 selected industries"—War Production Board, August 25, 1945).

In 1940 and 1941, approximately 45 percent of all new cars and trucks registered in the United States were manufactured by General Motors.

General Motors proportion of the anticipated capacity output will therefore be approximately: 2,800,000 passenger cars; 500,000 trucks.

C. E. Wilson, president of General Motors, stated in an article in Commercial and Financial Chronicle, December 14, 1944, that the postwar demand for automobiles may be 150 percent of the best prewar year. On this basis, General Motors should produce 2,796,000 passenger cars; 590,000 trucks.

2. High postwar output will prove even more profitable for General Motors. This is shown by the trends in General Motors wages, prices, and profits from 1936 to 1941. Even at the low levels of production then prevailing, a rise in cutput over the period revealed the ability of the corporation to increase wages as compared with prices and to realize a great increase in profits while doing so.

Figures published in General Motors annual reports show—

	1936	1941	Percent increase
Sales value per unit	$771	$900	16.6
Wages per man-hour	$0.777	$1.067	37.3
Operating profits per unit	$135	$179	32.3
Total profits, before taxes (millions)	$277	$426	61.0
Units produced (thousands)	1,867	2,257	21.4
Units per thousand man-hours	5.16	5.77	11.8

While General Motors wages increased more than twice as much as sales value per unit from 1936 to 1941, General Motors operating profits per unit increased 32 percent and total profits increased 61 percent. Why? Because total output increased 21 percent and output per man-hour increased 12 percent.

(NOTE.—Units are cars and trucks sold to dealers in United States. Sales are total net sales excluding sales of war materials in 1941. Operating profits are profits on sales as reported by General Motors. All 1941 data, except units sold, are reduced by one-sixth to adjust for sales of war materials which accounted for one-sixth of total sales in that year.)

3. When the full effect of the planned increase in output on General Motors profits is taken into account, it becomes evident that it will make tremendous profits in the first full year of postwar production, even after a 30 percent increase in wages and no increase in prices.

Analysis of past General Motors performance establishes, for an output of 2,800,000 passenger cars and 500,000 trucks in the first full year of postwar production, the following profit potentialities under various assumptions:

(1) Assuming 30-percent increase over present wage rates; 1942 model prices; 15-percent increase of 1941 material prices: Then General Motors profits before taxes will be $560,000,000.

(2) Assuming 30-percent increase over present wage rates; 1942 model price 5-percent increase over 1941 material prices: Then General Motors profits before taxes will be $728,000,000.

(3) Assuming present wage rates; 1942 model prices; 5-percent increase over 1941 material prices: Then General Motors profits before taxes will be $956,000,000.

Note that, when Congress cuts the tax rate to 36 percent, the foregoing profits before taxes will yield profits after taxes of $358,000,000, $466,000,000, and $605,000,000, respectively.

Such profits would greatly exceed General Motors highest profits after taxes in its four most profitable years: 1927, $235,000,000; 1928, $276,000,000; 1929, $248,000,000; 1936, $238,000,000.

4. In its postwar production General Motors can make as much profit before taxes, as in the best profit year of its history (1941) even though producing at less than capacity, and even though paying 30 percent higher wage rates than it now pays.

Analysis of General Motors operations in the past justifies the following expectations as to the ease with which General Motors can equal its record profits of 1941:

One hundred percent of General Motors capacity, 2,800,000 passenger cars.

Assuming present wage rates, 1942 model prices, 5 percent over 1941 material, then General Motors could make 1941 profits while producing only 1,800,000 cars or 64 percent.

If wage rates are increased 30 percent, General Motors can still equal its 1941 record profit producing 2,200,000 passenger cars or 80 percent.

This 1941 profit before taxes, after Congress reduces the corporation tax rate to 36 percent, as expected, will leave General Motors with the large profit, after taxes, of $327,000,000, which is 20 percent greater than the highest net income in its history (1928). This would provide a return of better than 30 percent on its net worth in a single year.

General Motors is therefore well protected as to profits. It can prosper even though production of cars to the public is curtailed and workers are laid off from General Motors plants. General Motors can't lose.

5. General Motors' profits on capacity production will so greatly exceed prewar profits as to justify a three-way split of the excess profits:

1. Thirty-percent increase in wage rates.

2. Reduction in the price of cars.

3. Increased take-home profits to the corporation.

This can be shown by the following estimates based upon 1941 performance. The estimates are extremely conservative because they make no allowance whatever for the higher rate of profit that results from the economies of high-volume production, nor for the savings that will result from increased labor productivity.

In part II, section A, subsection d.3 of this brief, it has been shown that the union's present wage demands and a 10-percent increase in material prices since 1941 would reduce the profits of that year to $432,000,000, before taxes.

Increase of output by 50 percent will increase these profits by a minimum of 50 percent, to a total of $648,000,000.

After paying United States income taxes at the new rate of 36 percent and foreign income taxes of approximately $15,000,000, General Motors would have profits after taxes of $393,000,000.

Setting aside the average annual take-home profits earned by General Motors before the war (1936–39), which amounted to $183,000,000, there could be split between stockholders and consumers a sum of $210,000,000, after taxes.

On a 50–50 split of this sum, stockholders would receive an additional $105,000,000 in profits after taxes. Added to the $183,000,000 already set aside, this will give them $288,000,000, which compares with $276,000,000 in the most profitable year of General Motors' history (1928), and with an average of $177,000,000 over the last 10 years.

The $105,000,000 allotted for reduction of prices to consumers would be available for that purpose on a pretax basis, since General Motors income taxes would be reduced by such action.

On a pretax basis the $105,000,000 is equivalent to $164,000,000.

Assuming, as General Motors predicts, that postwar sales will be 50 percent greater than the best prewar year, and that Chevrolet passenger cars account for 40 to 45 percent of General Motors total sales, the $164,000,000 available for price reduction would permit a cut of 12 to 13½ percent from the 1942 price of Chevrolets.

This would cut approximately $100 from the $800 price of Chevrolets in 1942, f. o. b. Detroit.

If General Motors salaries, as well as wages, were raised 30 percent, stockholders would share in a net profit, after taxes, amounting to $218,000,000, and the price of Chevrolets could be reduced approximately $65 f. o. b. Detroit.

A profit of $218,000,000, after taxes, is well above the average earned by General Motors during the last 10 years, and has been exceeded only in 1927, 1928, 1929, and 1936.

This is not an Alice in Wonderland theory, as an anonymous General Motors spokesman said in trying to brush off the proposal for a three-way split of profits. Rather, it is a glimpse of our industrial system's great potentialities for workers, consumers, and investors. This is the United States of America in the year 1945 and the outcome of these negotiations with the Nation's greatest corporation can mean a major defeat or victory here at home in the final winning of the people's peace and the "four freedoms," including freedom from want and fear, for which the war was fought and won.

Nevertheless, when the Red Queen said to Alice, "If you want to get somewhere else, you must run at least twice as fast as that"—she said a mouthful that General Motors and other employers would do well to ponder at this moment. They should piece it together with Secretary of the Treasury Vinson's statement, already cited, that "we are in the pleasant predicament of having to live 50 percent better than ever before." One way to begin is not to fall back, not to retreat. Once the line is held, we can start forward step by step to higher wages, increased purchasing power, larger production, lower prices, and maintenance of high and stable profits.

REVENUE ACT OF 1945

Mr. GEORGE. Mr. President, I ask unanimous consent that the Senate proceed with the consideration of House bill 4309, an act to reduce taxation and for other purposes.

The PRESIDENT pro tempore. The bill will be stated by title for the information of the Senate.

The CHIEF CLERK. A bill (H. R. 4309) to reduce taxation and for other purposes.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Georgia that the Senate proceed to the consideration of this bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Finance, with amendments.

Mr. GEORGE. I now ask unanimous consent that the formal reading of the bill be dispensed with, that it be read for amendment, and that committee amendments be first considered.

The PRESIDENT pro tempore. Without objection, it is so ordered.

The Chief Clerk proceeded to state the first committee amendment, which was

on page 1, line 7, after the word "amendment", to insert "or repeal."

Mr. GEORGE. Mr. President, I think we should have a quorum present, and I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Andrews	Gurney	O'Daniel
Austin	Hart	O'Mahoney
Bailey	Hawkes	Overton
Bankhead	Hayden	Radcliffe
Barkley	Hickenlooper	Reed
Bilbo	Hill	Revercomb
Brewster	Hoey	Robertson
Briggs	Huffman	Russell
Brooks	Johnson, Colo.	Saltonstall
Buck	Knowland	Shipstead
Butler	La Follette	Smith
Byrd	Langer	Stewart
Capehart	Lucas	Taft
Capper	McCarran	Taylor
Chavez	McKellar	Tobey
Connally	McMahon	Tunnell
Cordon	Magnuson	Tydings
Donnell	Maybank	Vandenberg
Downey	Mead	Wagner
Eastland	Millikin	Wheeler
Ellender	Mitchell	Wherry
Ferguson	Moore	White
George	Morse	Wilson
Gerry	Murdock	Young
Green	Murray	
Guffey	Myers	

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] and the Senator from New Mexico [Mr. HATCH] are absent from the Senate because of illness.

The Senator from Arkansas [Mr. FULBRIGHT] and the Senator from Massachusetts [Mr. WALSH] are absent because of deaths in their families.

The Senator from Arizona [Mr. MCFARLAND] is absent because of illness in his family.

The Senator from Oklahoma [Mr. THOMAS] is absent attending the Food and Agricultural Conference in Quebec.

The Senator from Utah [Mr. THOMAS] has been appointed a delegate to the International Labor Conference, in Paris, and is, therefore, necessarily absent.

The Senator from Kentucky [Mr. CHANDLER] is necessarily absent.

The Senator from Nevada [Mr. CARVILLE], the Senator from South Carolina [Mr. JOHNSTON], the Senator from West Virginia [Mr. KILGORE], the Senator from Illinois [Mr. LUCAS], the Senator from Arkansas [Mr. MCCLELLAN], and the Senator from Florida [Mr. PEPPER] are detained on official business.

Mr. WHERRY. The Senator from Vermont [Mr. AIKEN], the Senator from Minnesota [Mr. BALL], and the Senator from New Hampshire [Mr. BRIDGES] are necessarily absent.

The Senator from South Dakota [Mr. BUSHFIELD] and the Senator from Idaho [Mr. THOMAS] are absent because of illness.

The Senator from Wisconsin [Mr. WILEY] is absent on official business.

The Senator from Indiana [Mr. WILLIS], who is one of the members of the Senate delegation to the United Nations Food and Agricultural Conference at Quebec, has been excused to attend its sessions.

The PRESIDING OFFICER (Mr. DOWNEY in the chair). Seventy-six Senators having answered to their names, a quorum is present.

Mr. GEORGE. Mr. President, the Senate has before it the revenue bill of 1945. The report is on the desk of each Senator, and I am sure each Senator will find it helpful, particularly the tables relating to the burdens.

This is the first tax bill since the end of the war. It is a pleasure to present a bill which will afford some relief to our taxpayers from the burdensome taxation made necessary by the war. However, it cannot be too strongly emphasized that the financial needs of the Government, including expenditures for demobilization of the armed forces, military occupation, and the rehabilitation of our veterans are still very great. Therefore, we must proceed with caution and foresight in reducing our tax burdens commensurate with our needs. For the fiscal year ended June 30, 1946, it is estimated that even under our present tax system, the Federal deficit will be around $30,000,000,000, and the Secretary of the Treasury has estimated that there will be a deficit ranging from five billion to eight billion dollars for the fiscal year ended June 30, 1947.

The Secretary of the Treasury in his appearance before our committee stated that it is his considered judgment that tax reductions for the year 1946 should not total more than $5,000,000,000. The Treasury suggestions resulted in a net decrease in 1946 tax liabilities of $5,335,000,000 for 1946 and $5,681,000,000 in 1947. A comparison of the revenue losses in tax liability under the House bill, the Finance Committee bill, and the Treasury suggestions is as follows:

1946:

House bill	$5,350,000,000
Senate Finance bill	5,633,000,000
Treasury suggestions	5,335,000,000

For 1947—and this year also must be taken into consideration to see the real effect of the tax changes which are proposed:

1947:

House bill	$7,252,000,000
Senate Finance bill	5,633,000,000
Treasury suggestions	5,681,000,000

It will be noted that the House bill results in a loss of revenue of only $15,000,000 more than the Treasury proposals for 1946, and $283,000,000 less than the Finance Committee bill for that year. However, there is a different picture for 1947. The House bill will reduce 1947 tax liabilities $7,252,000,000, while the Treasury proposals will reduce 1947 tax liabilities by $5,681,000,000. The Finance Committee bill will reduce 1947 tax liability by $5,633,000,000. Thus, for the 2-year period 1946–47, the total loss of revenue under each of the three proposals is as follows: House, $12,602,000,000; Treasury, $11,016,000,000; Senate Finance Committee, $11,266,000,000, or $1,336,000,000 less than under the House bill.

The main differences between the House bill and the Senate Finance Committee bill are as follows:

1. THE EXCESS-PROFITS TAX

The House continued the excess-profits tax throughout the calendar year 1946 at a reduced rate of 60 percent and repealed the tax as of January 1, 1947. The House bill resulted in a loss in revenue of $1,300,000,000 for 1946, and an additional loss in 1947 of $1,255,000,000. In repealing the tax as of January 1, 1946, your committee followed the suggestion of Secretary of the Treasury Vinson. The loss in revenue from this source amounted to $2,555,000,000 in 1946.

Secretary Vinson stated to our committee that the "basic objective of tax adjustments at this time is to put us on the high road of peacetime full employment and maximum production." In viewing our present tax structure with this objective in mind, the excess-profits tax, in my opinion, represents the greatest single obstacle to our peacetime recovery. This tax was adopted as a war measure designed to take profits out of war, and to discourage activities competing with the war effort. In order to prevent war millionaires, a tax of 95 percent gross—85½ percent net—was levied on excess profits. The excess profits were determined by comparing the current profits with those for the prewar years, 1936–39, or with a certain percentage of the invested capital. The tax had the tendency to freeze civilian production and income to the prewar level of 1936–39. New, growing, and small corporations are particularly hurt by the excess-profits tax. The old established concern has a large excess-profits credit, and, therefore, has a decided competitive advantage over new and growing companies. In appraising the tax as a part of our peacetime tax structure, it is helpful to recall the words of Secretary GLASS when he recommended its repeal at the close of the last war. He said:

> It encourages wasteful expenditure, puts a premium on overcapitalization, and a penalty on brains, energy, and enterprise, discourages new ventures, and confirms old ventures in their monopolies.

The competitive disadvantage of such a tax to a new and rising corporation is tremendous. The new and rising corporation, not having an adequate credit, pays a much heavier excess-profits tax on its current income than the old established concern. It is not the large and prosperous corporation which suffers from the tax but the new and growing one. The Treasury stated that for 1943 over 70 percent of the corporations subject to the excess-profits tax had net incomes of less than $100,000. Even with the $25,000 specific exemption, effective for 1946, it is estimated that at least one-half of the corporations subject to the excess-profits tax will have net incomes of less than $100,000. On the other hand, some of our very large corporations do not pay any excess-profits taxes. In 1943 it was estimated by the Treasury that one-third of the corporations with incomes of $1,000,000 and over did not have taxable excess profits.

The tax also discourages risk-taking, since many corporations can retain only

a small part of their profits. The continuance of the tax throughout the entire calendar year 1946 will discourage new investments in both 1945 and 1946. As a result, this tax will retard production, so that profits from expansion or increased production will not be realized until 1947. I have received a great many letters from businessmen pointing out the repressive effect of continuing the excess-profits tax through 1946. The following is typical of the letters I have received:

I have a client, a man who was president of a corporation which did a very substantial and very successful war business during the war period. It is now about to reconvert to peacetime. It happens, however, that other interests have gotten control of its stock and have discharged the president. This man, together with a nucleus of the personnel, is anxious to start out for himself in a new organization, and we have the capital to back him. He has the know-how, he has the ambition, and we could obtain factory space from any of the Government agencies that have the surplus factory space at their disposal. It is, however, quite impractical for us to organize the new venture if we are to be subject to the present excess-profits tax. We would have every possibility of losing money and practically no possibility of making any money while these taxes prevail.

However, our competitor, the corporation that got rid of my client, in 1930 made bad investments and lost $6,000,000 as a result of which it has an excellent tax base from a point of view of excess-profits taxes.

Accordingly, we are simply marking time, as we cannot ask venture capital to join us until a possible return on such investment can be indicated.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. MORSE. I simply wish to say that I find this part of the committee's report the part which receives my highest endorsement, in spite of the fact that apparently, in some labor circles today, much propaganda is being issued urging Senators to keep the excess profits tax. I believe that if we are to have full employment, and if we are to operate the private enterprise system in the interest of increased production and higher standards of living, it is very important that we do away with the excess-profits tax. The tax I am convinced is serving as a great handicap to full employment during the reconversion period.

I have studied the report with some care, and I wish to say to the Senator from Georgia that I think it is somewhat unfortunate that the income to the Government through taxation is to be reduced by the bill which is now pending before the Senate. I recognize that it is supposed to be good politics to try to convince the people of the country that they can have their cake and eat it too. But I believe that if we are to keep the American dollar stable we must tell the American people that they must pay for the great benefits which they are insisting upon from the Federal Government. It seems to me that if there was ever a time in the fiscal history of this country when we ought to maintain high tax rates on the basis of the principle of ability to pay, now is that time. I think we truly would increase the wealth of this country during the next few years and assure a higher national standard of living if we as a people were willing to tighten our belts and proceed, through taxation, to pay for the great benefits of freedom which we enjoy in this country. If we are to keep the American dollar sound we must start to retire some of our debt.

I am greatly concerned about the value of the American dollar. I believe that one of the ways to deflate the value of the American dollar and cause a spiral inflation of prices is to adopt in the next few years a tax-lowering program. We must do more than raise the interest on our debt if we are to protect the value of the dollar. As I said the other day, I am perfectly willing to put my political head on the block in the interest of trying to get the American people to see that if we are to preserve our economy they must be willing to pay high taxes for the next few years. I wish this tax bill were so framed as to raise more income than I think will be raised under its present provisions.

Mr. GEORGE. I thank the Senator, and I agree with his entire philosophy; but I do not agree with his conclusions with respect to the tax bill. The rate of tax does not determine what comes into the Treasury. The bill, so far as it affects corporations, is properly a tax rate-reducing bill. It will not necessarily reduce the amount of revenue coming in. Indeed, if it has the effect which it is hoped it will have, it will so stimulate the expansion of business as to bring in a greater total revenue. I think if one will look back to World War I, he will understand precisely what I am now trying to say.

Mr. President, while it is somewhat aside, I shall pause in the presentation of my prepared statement to emphasize this fact: The Revenue Act of 1918 was approved February 24, 1919, some months after the actual cessation of hositilities. In a sense, that act was both a war-tax act and an immediate postwar tax rate-reduction act, since it provided one schedule of rates for 1918 and a somewhat lower schedule for 1919, 1920, and 1921. The act of November 23, 1921, made more substantial reductions in rates. The recovery of the country from a state of depression in 1920 and 1921 was rapid. The Revenue Acts of 1924 and 1926 made still further tax reductions, but the income from tax revenues of the Government increased through all of that period.

Mr. HAWKES. Mr. President, will the Senator yield?

Mr. GEORGE. I shall be glad to yield, but of course I wish to proceed as rapidly as possible.

Mr. HAWKES. I do not care to take much time, but I wish to say that there is nothing more important for every Member of the Senate and every citizen of the United States to remember than what the distinguished Senator from Georgia, the chairman of the Finance Committee, has said, namely, that the rate of taxation in the bill does not determine the revenue. I might leave this thought with the Senate: The way to full production and a return to full employment is through proper tax reduction, and the way to further tax reduction is through full employment and full operation that yields revenue. It is revenue that we are after. Every member of the Finance Committee has the same feelings as those the Senator from Georgia has expressed. We all wish to find a happy medium, something that will start the production machine going and will yield the revenue which is necessary, and we want the people of the United States to know that the Government is headed back toward lower taxation at the earliest possible moment.

Mr. GEORGE. Mr. President, I thank the Senator from New Jersey for his contribution.

I wish again to emphasize that the excess-profits tax is a major obstacle to the rapid reconversion and steady expansion of business enterprise; that it weakens materially the incentive for capital investment and the creation of employment; and that it admittedly promotes inefficiency in business and encourages wasteful expenditures.

2. LARGE CORPORATIONS

The Finance Committee bill also differs from the House bill in the treatment of the normal tax and the surtax applicable to large corporations. Under existing law, corporations with incomes of $50,000 or more are subject to a 40 percent rate, consisting of a normal tax of 24 percent and a surtax of 16 percent. The House bill reduced the turtax to 12 percent, making a combined corporate normal tax and surtax of 36 percent. Your committee bill continues the 40 percent rate with respect to corporations with incomes of $60,000 or more. Unlike the excess-profits tax which, in many cases, falls with unequal weight on corporations with the same earnings in the same taxable year, the corporate normal and surtax applies a uniform 40 percent rate to all corporations with incomes of $60,000 or more. It is not believed that this tax will constitute a serious obstacle to reconversion and expansion for 1946. The condition of the Federal Budget, the fact that the war and its aftermath will keep Federal expenditures high for some time, and the fact that the Federal debt is estimated to reach $273,000,000,000 by July 1 of next year, are, in the opinion of your committee, sufficient reasons for continuing the 40 percent rate for 1946. Moreover, it should be borne in mind that only about 22,000 corporations will have net incomes of $60,000 or more in 1946.

Mr. President, I wish to repeat that statement, because it has a material bearing on the loose thinking of so many persons who have dealt with this subject: It should be borne in mind that only about 22,000 corporations will have net incomes of $60,000 or more in 1946, that many of these 22,000 corporations will be benefited through the repeal of

the excess-profits tax, and that all of them will be benefited through repeal of the capital-stock tax and its companion, the declared value excess-profits tax, which are to be repealed beginning with the capital-stock tax year ending June 30, 1946. The House bill and the Finance Committee bill are agreed upon this point.

3. SMALL CORPORATIONS

Now, Mr. President, let us take a look at small corporations.

Your committee bill provides relief for corporations with incomes of less than $60,000. It is important that small and growing corporations be encouraged to continue and expand in the latter part of 1945 and 1946, so that they will aid both production and employment. It is estimated that of the 260,000 corporations with net incomes for 1946, 238,000 will have incomes below $60,000. While some of these will be benefited through the repeal of the excess-profits tax and all will be benefited through repeal of the capital-stock tax, it is believed desirable to extend further relief through a reduction in the ordinary corporate rate.

The House bill reduced the surtax rate applicable to these small corporations by 4 percentage points. Your committee provided a special schedule which has the effect of reducing the combined normal and surtax rates on corporations with incomes up to $60,000.

To see the difference between the Senate plan and the House bill, as compared to existing law, I wish to invite attention to table 11 of the report. It will be seen that corporations with incomes of $5,000 or less pay a combined normal and surtax of 25 percent under existing law, or $1,250. Under the House bill a $5,000 corporation will pay a tax rate of 21 percent, or $1,050; and under the Finance Committee bill, such a corporation will pay a tax rate of 20 percent, or $1,000. Thus, the tax on a $5,000 corporation will be less under the Finance Committee bill that under the House bill, and $250 less than under existing law. A $10,000 corporation will also pay $200 less under the Finance Committee bill than under the House bill. A $15,000 corporation will pay the same tax under both House and Finance Committee bills. A $25,000 corporation will pay $400 more under the Finance Committee bill than under the House bill, and a $55,000 corporation will pay $1,650 more under the Finance Committee bill than under the House bill. The relief granted by the Finance Committee, affecting only the smaller corporations, will result in a tax reduction for 1946 of $63,000,000, while the House bill, which affects all corporations, will result in a loss of $405,000,000.

Since about 80 percent of all corporations with taxable incomes in 1946 are estimated to have net incomes under $15,000, the Finance Committee bill will give greater relief to 200,000 of the 260,000 corporations estimated to have net income for the calendar year 1946.

4. INDIVIDUAL INCOME-TAX RELIEF

Your committee adopted the provisions of the House bill allowing the same exemptions for normal tax purposes as are now allowed for surtax purposes. This has the effect of eliminating 12,000,000 taxpayers from the rolls who were placed thereon by the victory tax adopted in 1942. The taxpayers in question are married persons and persons with dependents. By express statutory provision the victory tax would have expired at the end of the war. However, in 1944 this tax was replaced by a new normal tax which continued the principle of a single exemption for each recipient, irrespective of his marital status or the number of his dependents, but did not contain the express provision covering repeal at the end of the war. Nevertheless, your committee deems it advisable to remove these 12,000,000 taxpayers from the rolls at the present time because they were brought in under a special war measure.

Mr. President, in order to keep my own record straight, I digress here to say that I do not believe that at this time anyone should be entirely removed from the tax rolls. I believe that the removal of more than 12,000,000 persons from the tax rolls is definitely inflationary, whatever are the arguments which may be made to the contrary. Moreover, I believe that such a drastic narrowing of the base of taxation is unwise. But my view represents the views of a decided minority upon the question, and I, of course, support the majority opinion. I would have cut the tax very deeply for all low income-tax earners, but would not have removed them from the rolls if I had been privileged to write a tax bill as I think it should be written at this time.

Mr. President, the House bill reduces the rate applicable to each surtax bracket by four percentage points and rearranges the surtax schedule so that each individual income taxpayer will have at least a 10-percent reduction in his total normal-tax and surtax liability. The Finance Committee bill reduces each surtax bracket by three percentage points, and this in effect reduces the combined normal-tax and surtax rates under the revised schedule by three percentage points. A further reduction of 5 percent of the combined taxes is then made. A comparison of the burden under the two plans will be found in tables 8, 9, and 10 of the report. In general, the burden under the Senate committee bill will be less on incomes up to $50,000, whereas on incomes above $50,000 the balance swings the other way, so that under the House bill incomes above $50,000 receive a larger reduction. In the case of incomes of $2,000 or less, the burden under both the House bill and the Senate Finance Committee bill will be the same.

A few examples will show the effect of these provisions. For example, a married person with no dependents and an income of $1,800 pays a tax of $199 under existing law. Under both the House bill and the Senate Finance Committee bill the tax will amount to $152. A married man without dependents and with a net income of $5,000 pays a tax of $975 under existing law, $800 under the House bill, and $798 under the Finance Committee bill. With a $10,000 income, he pays $2,585 under existing law, $2,210 under the House bill, and $2,185 under the Finance Committee bill. With an income of $100,000, he will pay $657.50 less under the House bill than under the Finance Committee bill.

5. RELIEF FOR SERVICEMEN

Mr. President, I shall speak for a few minutes about the provisions in this bill relating to servicemen.

Your committee considered many problems of tax relief relating to members of the armed forces. Many of these problems could not be taken up in the pending tax bill, but the staffs were instructed to study them in connection with future tax legislation. There are three problems, however, which our committee believed could be taken care of without unduly delaying this bill.

First. Servicemen at the present time are allowed an exclusion of $1,500 with respect to service pay, in addition to their personal exemption. It appears that there are some enlisted men who may be required to pay income tax with respect to service pay. Your committee bill provides that compensation received during any taxable year and before the termination of the present war as proclaimed by the President, for active service as an enlisted member of the military or naval forces of the United States during such war, shall be excluded from gross income. This, in effect, exempts the service pay of the military or naval personnel, except commissioned officers, from any liability for Federal income taxes for the taxable years beginning after December 31, 1940, and before the termination of the war, with respect to taxes attributable to service pay. This will also relieve these men from any liability for filing returns.

Second. One of the chief complaints from commissioned officers, particularly those returning from overseas, is that they have a large tax liability which has accrued and which must, in general, be paid within 6 months after their return and discharge. While they have been able, in some cases, to work out arrangements with collectors of Internal Revenue, they are required to pay interest at the rate of 6 percent per annum on payments beyond the 6-month period. Your committee bill permits payment of this tax, so far as it relates to service pay, over a 3-year period in 12 quarterly installments, without interest.

Third. A similar extension is granted with respect to the payment of any part of the tax attributable to earned income for the taxable years 1940 and 1941, if such tax became due and payable after the taxpayer entered into active service. To secure this relief, the tax must be for the years prior to entry into service.

Earned income for this purpose is the same as defined in the Internal Revenue Code. If the taxpayer's net income is not more than $3,000 his entire net income is regarded as earned income, and

if his net income is more than $3,000, his earned net income shall not be considered to be more than $3,000. In no case shall the earned net income be considered to be more than $14,000.

At this point I ask to have inserted in the RECORD, as a part of my remarks, without reading it, a letter from the Commissioner of Internal Revenue, Mr. Joseph D. Nunan, Jr., to the War Department with respect to prisoners of war who were removed beyond the insular possessions of the United States to some foreign country. The ruling by the Commissioner obviated one of the difficulties to which the Senate Finance Committee gave some consideration.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

MARCH 14, 1945.

To the War Department:

Reference is made to your letter dated February 19, 1945, requesting advice as to the proper treatment, for Federal income-tax purposes, of pay credited to military personnel of the Army of the United States, who have postponed the filing of Federal income tax returns, on the basis of cash receipts and disbursements during a period in which they have been in a missing, missing in action, or prisoner of war status; and as to the proper application of the provisions of section 251 of the Internal Revenue Code in specific circumstances.

You further request that if possible an immediate reply be made on the subject of constructive receipt, without waiting until the other questions in your inquiry have been decided.

Under the Missing Persons Act as amended (50 U. S. C. App. 1001–1017), personnel of the armed forces in active service, and personnel of civilian departments serving abroad, who are missing, beleaguered or besieged, interned, or captured by an enemy, are entitled to receive or to have credited to their accounts the same pay and allowances to which they were entitled at the beginning of the absence or to which they may thereafter become entitled. They are also entitled to have their allotments paid currently from such accounts.

Your letter indicates that when an individual entitled to military pay in the War Department is missing under the Missing Persons Act, the Office of Special Settlement Accounts is notified by the Adjutant General of the Army. That office then prepares a master pay and allotment account record card for each person, to which is transferred, from the Office of Dependency Benefits, the allotment accounts and the family allowance accounts, if any, of the absentee.

The amount of pay and allowances which accrues to the absentee each month is entered in the account, together with the amount of allotments currently to be paid. Allotments chargeable against his account are not charged against any particular item or items of pay and allowances; they are merely charged against the entire amount due to him each month. The authorized allotments and the authorized family allowances are paid currently by the Office of Special Settlement Accounts, and the cumulative balance in the account to which the absentee is entitled is available to him at any time without any restriction except the fact of his absence. In general, these balances cover amounts earned and credited during the calendar years from and including 1941.

Your letter summarizes a number of problems that will arise under the provisions of sections 22 (b) (13), 107, 126, 251, and 421 of the Internal Revenue Code if pay that is not allotted is considered to be subject to Federal income tax in the year when the cumulative balance is actually paid to the individual taxpayer upon his return to active service, or to his beneficiaries after his death or after a finding of death. In addition, your Department is faced with the possible necessity of setting up machinery, with a consequent burden upon communications in war zones, for making payment outside the United States of accrued pay and allowances to those whose benefits under section 251 of the code might otherwise be jeopardized.

You inquire, therefore, whether the military pay of the absentee, subsequent to the last period for which he had received payment, may be regarded as constructively received by him as it accrues, and whether the portion constructively received in any taxable year involved should be included in the taxpayer's return for such year, if and when it is filed, and not in the return for the year of actual receipt of the cumulative balance by the taxpayer, or by his estate after his death.

It is the opinion of this Bureau that income which is credited to a taxpayer's account or set apart for him so that he may draw upon it at any time is subject to Federal income tax as constructively received for the taxable year in which it is so credited or set apart, even though he does not then actually receive it into his possession. To constitute constructive receipt, the income must be credited or set apart to the taxpayer without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is to be made. It must be made available to him so that he may receive it promptly at any time upon his request, and its receipt must thus, as between a payor and payee, be brought within the payee's own control and disposition (sec. 29. 42–2, regulations 111).

Your statement discloses that under the procedure authorized by the Missing Persons Act, supra, the military pay of an absentee is credited to him monthly as earned, without any restriction except the fact of his absence, and that the allotments and the family allowances which he has authorized or which are authorized by law are paid each month from the amounts so credited to him. Futhermore, the Missing Persons Act expressly provides, in effect, that his pay shall accrue during the period of his absence. He therefore has a statutory and unqualified right to the pay which became due him during his absence in one of the statutes referred to in that act.

It is accordingly concluded that the pay of the absentee accruing to him under the Missing Persons Act is constructively received by him as it accrues and is includible in his gross income for the taxable year in which it accrues. Pay due him or received by him for services rendered after his return to duty, when the Missing Persons Act is no longer applicable to him, is includible in his gross income for the taxable year in which it is received.

Your questions relating to the administration of section 251 of the Internal Revenue Code will be made the subject of a separate communication.

Very truly yours,

JOSEPH D. NUNAN, Jr.,
Commissioner.

Mr. GEORGE. Now, Mr. President, with respect to the excise taxes. There are certain excise rates increases which were imposed by the Revenue Act of 1943 but which are automatically reduced approximately 6 months after termination of hostilities in the present war. Under the existing law, the date of the termination of hostilities in the present war may be determined either by a proclamation of the President or by a concurrent resolution of the Congress. The taxes affected by the reduction include admissions, liquor, beer and wines, electric light bulbs, jewelry, furs, toilet preparations, telephones, transportation of persons, luggage, club dues, cabarets, billiard and pool tables. The Secretary of the Treasury recommended that July 1, 1946, be designated as the date these reductions should take effect. The House bill adopts the recommendation of the Treasury in this respect. Your committee makes no change in existing law, as it is believed that the entire question of excise tax increases and war excise taxes should be taken up as a whole in a later bill. There are many excise taxes which were adopted or increased during the war, and which will not be affected by this provision.

Your committee also extended to December 31, 1946, the benefits of sections 22 (b) (9) and 22 (b) (10) of the internal revenue code. Unless this action is taken, the benefits of these sections will expire on December 31, 1945. Section 22 (b) (9) provides for the exclusion from gross income of any income attributable to the discharge of indebtedness through the acquisition by a corporation of its own securities at less than par. This section is applicable to all corporations, including railroads. Section 22 (b) (10) relates only to railroad corporations, and provides for the exclusion from gross income of income attributable to the modification or cancellation of indebtedness as a consequence of a reorganization resulting from receivership or bankruptcy.

There is also another amendment dealing with the capital stock and declared value excess-profits tax for the year 1945. Some corporations which have recovered properties abroad which were seized by the enemy will have to pay a declared value excess-profits tax on the income resulting from the recovery of such properties, because they were unable to determine that they would recover these properties in sufficient time to declare them for capital-stock-tax purposes. Your committee has adopted an amendment which permits such corporations to pay a declared value excess-profits tax for 1945, equal to the capital-stock tax, of 1¼ percent of the amount of the war loss recoveries. This puts the corporation in the same position as if it had declared a value of capital stock proportionate to the income from such properties for capital-stock-tax purposes.

There are a few other technical amendments in the bill, which are explained in the committee report.

Mr. President, with respect to the revenues involved, I wish to present for the RECORD a table taken from the report summarizing the effect of this bill.

The PRESIDING OFFICER. Without objection, the table will be printed in the RECORD.

The table from the committee report is as follows:

Estimated net reductions in tax liabilities under the House bill and under the Finance Committee bill as compared with tax liability under present law, calendar years 1946 and 1947

[In millions of dollars]

Source	Reduction in tax liabilities from present law			
	1946		1947 [1]	
	House bill	Finance Committee bill	House bill	Finance Committee bill
1. Internal revenue:				
(1) Income, excess profits and capital stock taxes:				
(a) Corporation taxes: [2]				
Excess-profits tax	1,200	2,555	2,555	2,555
Normal tax and surtax	405	63	646	63
Repeal of capital stock and declared-value excess-profits taxes	183	231	243	231
Total corporation taxes	1,888	2,849	3,444	2,849
(b) Individual income taxes: [3]				
Allow same exemption for normal tax as for surtax	782	782	782	782
Reduce surtax rates by 4 percentage points under House bill and by 3 percentage points under Finance Committee amended bill	1,738	1,303	1,738	1,303
Provision for reduction of tax by at least 10 percent under House bill	107		107	
Reduction of 5 percent in normal tax and surtax under Finance Committee bill		559		559
Total individual income taxes	2,627	2,644	2,627	2,644
Total: Income, excess-profits and capital stock taxes	4,515	5,493	6,071	5,493
(2) Miscellaneous internal revenue, excluding capital-stock tax:				
(a) Excises subject to war-tax rates:				
Liquor taxes:				
Distilled spirits	249		472	
Fermented malt liquors	32		63	
Wines	11		18	
Total liquor taxes	292		553	
Retailers' excise taxes:				
Jewelry, etc	48		99	
Furs	25		44	
Toilet preparations	18		39	
Luggage, etc	15		30	
Total retailers' excise taxes	106		212	
Telephone, telegraph, radio, and cable facilities, etc	15		29	
Local telephone service	21		41	
Transportation of persons	28		60	
Admissions	65		129	
Electric-light bulbs and tubes	4		10	
Club dues and initiation fees	2		5	
Bowling alleys, billiard and pool tables	2		2	
Total excises subject to war-tax rates	535		1,041	
(b) Use tax on motor vehicles and boats	140	140	140	140
(c) All other				
Total miscellaneous internal revenue excluding capital-stock tax	675	140	1,181	140
2. Employment taxes (net)				
3. Customs				
4. Miscellaneous receipts				
Net receipts, general and special accounts	5,190	5,633	7,252	5,633
Refunds on floor stocks [4]	160			
Net receipts less refunds on floor stocks	5,350	5,633	7,252	5,633

[1] Assumes, for comparative purposes, the same general conditions in 1947 as estimated for 1946.
[2] Takes into account the following sequence in tax reduction or repeal: First, action on the excess-profits tax; second, action on the corporation normal tax and surtax rates; and third, action on the capital stock and declared-value excess-profits taxes.
[3] Takes into account the following sequence in tax reduction: First, action on normal tax exemption; second, action reducing surtax rates by 3 or 4 percentage points; and third, action reducing tax by at least 10 percent from present law under the House bill, and by 5 percent (for all normal taxes and surtaxes) under the Finance Committee bill.
[4] Tax refunds are classified by the Federal Government as expenditures.

Mr. GEORGE. Mr. President, one other tax should be mentioned, and that is the automobile- and boat-use tax. The House bill repeals the tax as of July 1, 1946. The Senate Finance Committee bill contains the same provision, repealing that tax outright as of next July.

I should also make the statement, Mr. President, that both the House bill and the Senate Finance Committee bill freeze the social-security tax for the old-age and survivors' insurance program at the present rate of 1 percent, and do not permit it to increase to 2½ percent on January 1 next, as it would under the present law.

Mr. ANDREWS. Mr. President——

Mr. GEORGE. I yield to the Senator from Florida.

Mr. ANDREWS. I wondered if the main reason for the repeal of the $5 use tax on automobiles was because of its nuisance character and difficulty in collecting it?

Mr. GEORGE. Mr. President, in answer to my distinguished friend, I will say that the automobile-use tax was definitely a war tax—that is, it was inserted in the act for the purpose of raising revenue when we approached preparations for war. It is not a sound tax because there is no graduation between the values of different cars, the size of the cars, or the weight of the cars, and we were of the opinion that it should be repealed beginning next July 1.

Furthermore, it has been a difficult tax to administer. It is easy where the tax is voluntarily paid, but there has always been at least a suspicion, if not more than a suspicion, that many people avoided payment of the use tax. At any rate, it was definitely a tax which was inserted in the law for the purpose of raising revenue, and it was not regarded as entirely a sound tax, except for the purpose of producing revenue, and, therefore, was not considered as a permanent tax in the first instance. Its repeal will result in the loss of $140,000,000 or more of revenue, depending, of course, on how many automobile owners and users would have paid the tax.

Mr. ANDREWS. I had gotten the idea that the theory of this tax had nothing to do with the size of a car,

but one car on a highway is just as dangerous as another and one car on a highway uses about as much space as any other car on a highway. It had seemed to me that it is a tax which is easy to collect, without fees or cost to the Government, involving merely the purchase of a stamp and putting it on the car, but if it is a war tax and was imposed for that purpose, under the theory of such taxes, perhaps it should now be dropped. I may say, however, that in the case of many people—and I should say millions of them—this is the only tax they ever pay into the Federal Government. There are millions of such people who use the highways and they ought to have some part in keeping them up and also in maintaining the Federal Government.

Mr. GEORGE. The statement of the Senator from Florida is probably correct, but the Senate Committee on Finance—and the House committee undoubtedly took the same view, as did the House of Representatives—that is, they thought it would be advisable to repeal the tax.

Mr. ANDREWS. I shall abide by that decision. I desire to ask the Senator one more question relative to the exemption of servicemen from the payment of certain income taxes for the past 2 or 3 years. Undoubtedly many of them have been overseas and when they return to the United States they find that they owe income taxes. As the Senator will remember, I introduced a bill at the last session of Congress to aid the small income group of servicemen in that situation.

Mr. GEORGE. The Senator from Florida is correct. He did introduce such a bill. However, the bill now before the Senate excludes all service pay of all members of the armed forces of the United States in the computation of their income taxes if they are not commissioned officers. In other words, all the enlisted personnel under this bill would be in effect forgiven, during the entire war period, all their income taxes which would otherwise be imposed on account of their service pay. Of course, if they have independent outside income from investments, or something in the nature of investments, they are taxable upon such income; but no serviceman below the rank of a commissioned officer will be required to pay any tax upon his service pay, or upon any payments made by the United States Government to him on account of his service, nor will he be required to make a return for any one of the war years if he has no income except his service pay and allowances.

Mr. ANDREWS. I am very happy to hear the distinguished Senator give that assurance. That was the condition I especially wanted to make sure of.

Mr. SALTONSTALL. Mr. President, will the Senator from Georgia yield?

Mr. GEORGE. I yield.

Mr. SALTONSTALL. I have been approached on the subject of excise taxes and the black market, the statement being made that the high excise taxes led to black markets, particularly in relation to jewelry, and there is a considerable jewelry business in Massachusetts.

The bill as it passed the House reduced the tax as of June 30, 1946, and the Senate committee bill does not. I should like to ask the chairman if any evidence was presented to his committee on the subject of black markets and high excise taxes, particularly with relation to jewelry?

Mr. GEORGE. I do not recall such testimony, or any evidence on that point.

The committee recognized that there should be a reconsideration of certain excise taxes, but the House merely reduced those taxes which were increased by the act of 1943. There were many other burdensome taxes in the nature of excise taxes, or excise taxes, which were imposed or increased in 1941 and 1942. They were not affected by the bill as it passed the House. The Finance Committee was decidedly of the opinion that we should study the whole excise tax picture before we undertook to deal with the excise taxes.

Further, if the President should at any time between now and January 1 declare the war to be at an end, the present law would do as much as the House bill does, that is, it would reduce to their prior levels these taxes which were increased in 1943.

Mr. SALTONSTALL. In other words, the position of the committee is that the whole subject of excise taxes should be considered together with a view to their ultimate reduction to peacetime levels, rather than do it piecemeal at the present moment?

Mr. GEORGE. That is exactly correct and I may say that the chairman of the Committee on Ways and Means of the other House assures me that a general tax revision study will be commenced very shortly after the turn of the year, and thus even before July 1 we will have time to look into this whole picture.

Mr. SALTONSTALL. I thank the Senator.

Mr. BILBO. Mr. President, will the Senator from Georgia yield?

Mr. GEORGE. I yield to the Senator from Mississippi.

Mr. BILEO. Not having had an opportunity to read the bill or the report, I hesitate to ask the question I have in mind, because it may be covered in the report on the bill, but I have received many requests from my constituents about the tax on toilet articles sold in drug stores. I have been in the drug business, and know something about it. Does the committee bill make provision for the imposition and collection of this tax at the source of supply of such articles, or will it still be up to the individual retailer to charge the tax and make reports?

Mr. GEORGE. The Senate Finance Committee bill did not make any change in the existing excise taxes, except the repeal of the auto use tax. The committee has of course considered the question whether or not the tax on toilet articles, the item to which the Senator refers, should not be imposed at the source, at the manufacturer's level. When we provided this tax originally, we reached the conclusion that it should be imposed at the retail level.

Mr. BILBO. Would the Senator be inclined to accept, for conference purposes if nothing else, an amendment to the pending bill imposing this tax at the base of supply of toilet articles? Having had practical experience in the drug business, I can readily envision the duties the retailer has to perform in keeping a record of so many small articles which are in his line of merchandise, when it could be done by the manufacturers at little cost.

Mr. GEORGE. I will say very frankly that I personally agree with the Senator from Mississippi; I think it would be wiser to impose this tax at the source. But we propose to look into the whole question of excise taxes, and what the Senator suggests is one of the very things we will consider. If this tax remains in the law, that question will be considered.

Mr. BILBO. In other words, the Senator gives us assurance——

Mr. GEORGE. If this tax is continued, when we come to the consideration of a comprehensive tax bill, which we will do within a very few weeks——

Mr. BILBO. A very few weeks?

Mr. GEORGE. Yes, early next year; if we retain this tax, the question of whether it should be imposed at the manufacturer's level will be given consideration.

Mr. BILBO. With that assurance I shall not pursue the subject further, but I wish to ask about another tax concerning which I have received many letters. What has the committee done with the tax on tickets to picture shows?

Mr. GEORGE. We have not dealt with the admissions tax. That would be automatically reduced if the President, or the Congress by concurrent resolution, should declare hostilities to be at an end, that is, on the first day of the month occurring six months after such termination date; and under the bill as it passed the House, if that should prevail in conference, the tax would be reduced on July 1 next year.

Mr. BILBO. How much did the House reduce the tax?

Mr. GEORGE. The tax under the present law is 1 cent for each 5 cents or major fraction thereof. The House made the tax 1 cent for each 10 cents or major fraction thereof. In other words, that is one of the taxes which the House carried back to rates in effect prior to 1943.

Mr. BILBO. Would the Senator look with favor on an amendment to reduce the taxes on all amusement tickets costing below 40 cents? The picture show is the one great amusement source for millions of poor people, and the children of the Nation, and it seems to me there should be relief from the imposition of this tax on these people for this form of amusement, or recreation, or whatever we may call it. At best the picture shows are not making enormous profits in their line of business, I am informed. Would the Senator look with favor on an amendment to eliminate the tax on tickets for amusement where the charge is less than 40 cents?

Mr. GEORGE. I should be glad to give consideration to the suggestion, but I hope we may be able to have a reconsideration of all the excise taxes in the early months of next year.

Mr. BILBO. That would be included?

Mr. GEORGE. Yes; that would be included.

Mr. BILBO. Very well.

Mr. KNOWLAND. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. KNOWLAND. I should like to inquire of the chairman of the Finance Committee whether, from his point of view, it would not have been possible to include in the pending tax bill a provision dealing with Army enlisted personnel rather than to have to depend on another piece of legislation to take care of that matter. Is there any practical problem involved which would make it impossible to include such a provision in the pending tax bill?

Mr. GEORGE. The bill now before the Senate does exclude the service pay of all enlisted men, that is of all men in the armed forces or services below the commissioned ranks. Tax on enlisted men's pay is completely excluded, and the requirement for a return is likewise eliminated.

Mr. KNOWLAND. I understood the chairman of the Finance Committee to make some reference to another piece of legislation which would cover that subject.

Mr. GEORGE. There are other problems which will be studied. I had reference to certain other problems affecting the veterans. But so far as the entire enlisted personnel in the armed forces during the whole war period is concerned, all payments made by the Government of the United States for their services will be excluded in computing income taxes. They will receive refunds in those instances where they have actually paid the taxes, as some of them have.

Mr. LANGER. Mr. President, will the Senator from Georgia yield to me?

Mr. GEORGE. I yield to the Senator from North Dakota.

Mr. LANGER. I wanted to inquire where in the bill there is provision for taxing refugees who came into the United States and who made, as I understand, a profit of $800,000,000?

Mr. GEORGE. Neither the bill as passed by the House nor the bill as it came from the Finance Committee deals with the capital-gains tax at all. It does not touch the capital-gains tax. The Bureau of Internal Revenue and the Treasury and the joint committee staff are now studying the problem of which the Senator has spoken. If legislation is indicated, that is, if the taxes cannot be imposed and collected under existing law, certainly that will be one of the matters to be dealt with in a postwar tax bill.

Mr. LANGER. Some of the refugees will have gone back home before we get around to taxing them, will they not?

Mr. GEORGE. Efforts are now being made to collect the taxes, and they cannot return to their homes without paying all the taxes which are claimed against them. So the Treasury or the Bureau of Internal Revenue will not be prejudiced by passing this matter over until they have determined whether under existing law they can reach the situation indicated by the Senator's question, or whether additional legislation is necessary.

Mr. LANGER. May I inquire if the Senator has any objection to giving me his opinion as to whether or not the Treasury Department has authority to collect taxes on the profits made by refugees?

Mr. GEORGE. The Treasury Department is of the opinion that it now has the authority and power to reach such cases, and I assume its opinion is quite well taken.

Mr. LANGER. I should like to make an inquiry relative to the cosmetics tax. The Senator will recollect that about a year ago the question arose concerning a provision in the law whereby those operating beauty parlors had to pay a tax, whereas those who were selling cosmetics otherwise, such as department stores, did not have to pay a tax. Is a change made in that situation under the pending bill?

Mr. GEORGE. It has not been dealt with by this bill.

Mr. LANGER. The 20-percent tax will apply?

Mr. GEORGE. I think it would be affected by the bill as it came from the House if the House bill should finally be approved, because it is my recollection that tax was increased in 1943. It would drop from 20 percent to 10 percent, under the House bill if it should be approved.

I may say to the Senator—repeating what I have already said—that many of the excise taxes would not be reduced under the bill as it came from the House, and it was the opinion of the committee that we should study the whole group of excise taxes very carefully before we undertook to legislate, and not deal piecemeal with the excise taxes. For instance, there is a tax on stoves, gas, and oil ranges, electric ranges—I believe it even extends to wood burners—which was not increased in 1943 at all, and certainly that tax is one of those for which very little justification can be found at this time. It also was put on during the war. Therefore we prefer to postpone the whole matter until we consider a tax bill when Congress returns after Christmas, when we can study all the excise taxes. But if we had dealt with some excise taxes in this bill, the House having dealt with some, we would have gone about it by a sort of piecemeal selection without a study of the whole picture. Many of them, of course, should come off entirely as soon as it is practical to do so. At the same time we will probably find it necessary to retain a rather wide base of real luxury excise taxes in order to remove from income taxpayers as much as possible of the burden now resting on them.

Mr. LANGER. May I inquire how the farmers are affected? The farmer, as I understand, under the present tax law pays on his net profit. As the Senator very well knows—and I have heard him say it many times, and I know he is interested in farming—in some parts of this country, about the greatest gamble there is in the United States is for a man to put in a crop. The farmer pays a tax, as I understand, on his entire net. Is that correct?

Mr. GEORGE. On his net income, but he is given now exemption for himself and all his dependents.

Mr. LANGER. Oh, yes.

Mr. GEORGE. Against both the normal and the surtax.

Mr. LANGER. I should like to make another inquiry of the Senator. If a man gambles on the grain market and buys wheat or cotton which does not exist, does he pay on his net profit or does he pay on only 25 percent of his profit?

Mr. GEORGE. I would not be able to answer the Senator. No universally applicable affirmative or negative answer can be made. It depends entirely on whether that is his business, or whether he is simply taking a flyer in the market, on how long he holds his grain contracts, and so forth.

Mr. LANGER. What I am trying to find out is whether an ordinary citizen making a living by gambling in grain pays on his net income or whether he does not.

Mr. GEORGE. He would pay if that is his regular busines. If that is what he is doing, then he would pay on his net income.

Mr. LANGER. Suppose it is not his regular business. Suppose he is a doctor, and he decides to buy a half million bushels of wheat, and holds the wheat 6 months and makes a profit of $10,000. Does he pay a tax on the $10,000, or does he pay a tax on $2,500?

Mr. GEORGE. If he holds it for more than 6 months it would become a capital gain and he would be entitled to pay a tax of not more than 25 percent of the gain. But if he does not hold it for 6 months he must account for it as a short term gain. And if he loses, he does not get very much advantage by way of a loss.

Mr. BARKLEY. In other words, if the Senator will yield at that point, if he happens to lose instead of gain, he does not get much credit by reason of the loss.

Mr. GEORGE. Very little.

Mr. LANGER. The farmer does not either if he puts in a crop and loses. That is true, is it not? The farmer cannot carry his loss from 1 year to the next?

Mr. GEORGE. If he is an income taxpayer at all and he has a loss or an entire failure of his crop, he can take his loss and can carry it over.

Mr. LANGER. What is that?

Mr. GEORGE. He can carry it over because it is a part of his trade or business loss.

Mr. LANGER. What I am trying to get at is whether the grain gambler is favored over the farmer who loses his crop?

Mr. GEORGE. I would not think so. We have a capital-gains tax in our revenue law, but the capital-gains tax is not dealt with in this bill at all. The income tax is dealt with, and those in the lower brackets whose net incomes is low will find that this bill gives them considerable relief. More than 12,000,000 persons are taken off the tax roll entirely.

Mr. LANGER. I understand that, and I am in favor of it.

Mr. GEORGE. That includes farmers as well as others.

Mr. LANGER. I am trying, if I can, to find out the comparison between the farmer who actually produces the crop and takes all the risk and the gambler.

Mr. GEORGE. The farmer who produces the crop is like the merchant or anyone else who buys a stock of goods and takes all the risk. If he engages in

capital transactions, he is treated just as every one else is treated. But there is no necessary relationship between his ordinary operations and capital-gains transactions. If he buys a farm and holds it for 6 months and then sells it, he pays a capital-gains tax if he realizes a capital gain.

Mr. LANGER. I am trying to obtain a comparison between the farmer who actually raises a crop of cotton or wheat and the man who gambles in it.

Mr. GEORGE. I am glad to say that there is no comparison. In the first place, there is no comparison between the two men. The farmer is taxed on his income derived from his business, as is the merchant, the baker, the candlestick maker, the doctor, the lawyer, and everyone else, if he is operating as an individual. If he engages in capital transactions and has capital gains or capital losses, he has the same benefit as anyone else who engages in similar transactions.

Mr. LANGER. To repeat, if a doctor or anyone else buys half a million bushels of grain and holds it for more than 6 months and sells it at a profit of $10,000, say, is he taxed on the whole $10,000, or is he taxed on 25 percent of it?

Mr. GEORGE. If it is a capital gain—and I understand from the Senator's question that it would be a capital gain—if he buys land, wheat, stocks, or any other kind of property not connected with his ordinary business, and makes a capital gain, he is not taxed on the full gain if it is a long-term gain, that is, if he holds the property as a capital asset for 6 months or more.

Mr. LANGER. How much is he taxed?

Mr. GEORGE. At most, 25 percent of the gain.

Mr. LANGER. If a farmer raises a crop he is taxed on everything he makes, but if a gambler holds——

Mr. GEORGE. He might be taxed 3, 23, or even 50 percent on his net income. He pays a tax on his net income at the rate provided for the bracket in which his income falls.

Mr. LANGER. But if a gambler speculates and holds property for more than 6 months, he is taxed on only 25 percent of his net gain. Is not that correct?

Mr. GEORGE. The tax cannot exceed 25 percent of the gain, unless that is his regular business. If it is his regular business, he is taxed on his entire net income. I cannot make it any clearer to the Senator.

Mr. LANGER. Does the Senator think that is fair?

Mr. GEORGE. Of course it is fair. The law applies to all alike. It makes no difference whether I am a farmer or not. It so happens that I am a farmer, but it makes no difference. If I go into the market and buy something—lands, stocks, or anything else—and realize a capital gain upon the transaction, I am entitled, as is any other taxpayer, to take the benefit of the capital-gains tax. If I suffer a loss, I get very little benefit from a tax standpoint. In my case there would be practically no benefit. On my net income from the farm, to which, of course, is added my salary, because the farm is not incorporated, I pay my tax. I am operating as an individual. The income from the farm is added to my salary, and I pay at the rate which my net income indicates. That is, I pay the rate applicable to the bracket in which my net income happens to fall. I think it is entirely fair.

I believe that the British have a much sounder system. It is not necessary to discuss the philosophy of it at this time, but I believe that the British system is much sounder. As a general proposition they do not recognize ordinary gains and losses as true income, and therefore do not tax them at all. But we have a capital-gains tax. It is applicable to everyone who, outside his regular business, makes a capital investment on which he realizes a gain or a loss. We have broken it down into brackets. The capital-gains tax is perhaps based on the theory of discouraging speculation by requiring the holder of a security to keep it for 6 months or more before he can realize a capital gain upon it and get the benefit of the 25 percent rate.

The PRESIDING OFFICER. The question is on agreeing to the first committee amendment.

Mr. BUCK. Mr. President, will the Senator yield?

Mr. GEORGE. Does the Senator wish to ask a question?

Mr. BUCK. I do.

Mr. GEORGE. I yield to the Senator from Delaware.

Mr. BUCK. Does the Senator care to indicate why the committee felt it prudent to raise the tax rates on small corporations with incomes between $15,000 and $60,000, as compared with the rates which the House fixed?

Mr. GEORGE. Actually, the bill as reported by the Senate Finance Committee is more favorable to the corporation with a small income, a net taxable income of less than $15,000. Beyond that point, the relief afforded by the Senate bill is less than the relief given by the House. That results from the application of a principle which we were trying to apply in an effort to get away from the rather crude "notch" system which exists under the present law. It is true that the result is that the corporation with a net income between $15,000 and $60,000 would pay a somewhat greater tax than under the House bill, although it would be less than under existing law.

Mr. BUCK. The rates between $15,000 and $60,000 are somewhat higher. It seems to me that the smaller corporations are the very ones which we should help all we can in the reconversion period.

Mr. GEORGE. The committee agreed with the general philosophy of the Senator, and was making an effort to give as much relief as possible to corporations which may be described as small corporations. We therefore decided, first, that we would make special provision for all corporations with incomes of $60,000 or less. What the committee has done, of course, represents relief as compared with the present law; that is, it is a reduction as compared with the burden under the present law. As the Senator says, and as I pointed out in my statement to the Senate, the rates are somewhat higher than those in the House bill for corporations having incomes between $15,000 and $60,000. However, it should be pointed out that 200,000 of the 260,000 corporations estimated to have incomes in 1946, are expected to have incomes of less than $15,000.

Mr. BUCK. Is it not true that the savings which the Government would make by reason of the Senate committee rates for small corporations, as compared with those of the House, are offset by the reductions in rates recommended by the committee in the case of individual income taxes?

Mr. GEORGE. Yes; that is true. However, the reduction in revenue to the Government under the terms of the bill as it came from the House would be about as great as that under the measure recommended by the Senate committee. The arrangement of the individual income-tax rates in the bill as it came from the House would represent about as large a reduction in revenue to the Government as would be the case under the bill reported from the Senate committee. On page 20 of the report the Senator will find a table showing the effective rates on incomes of so-called small corporations, that is, corporations with incomes not exceeding $60,000.

Mr. BUCK. I have that table before me.

Mr. O'MAHONEY. Mr. President, if the Senator from Georgia will yield, I desire to address one or two questions to him, if he will be good enough to indulge me.

Mr. GEORGE. I am pleased to yield to the Senator from Wyoming.

ABUSES OF CARRY-BACK PROVISIONS

Mr. O'MAHONEY. Mr. President, let me say in the first place that, in common with all other Members of the Senate, I appreciate the complexity of the task which the Finance Committee has been called upon to perform. The chairman of the Finance Committee will, however, I am sure, recognize that those of us who have not had the advantage of serving upon the committee, and now for the first time have the opportunity of examining the bill and the report, may find it just a little difficult to understand precisely what has been done and what the general effect will be.

In glancing over the report, on page 19 I find this paragraph to which I should like to draw the attention of the Senator:

> The 2-year carry-back of unused excess-profits credits is retained for 1 year beyond the repeal of the excess-profits tax. Thus it will be possible to carry back unused excess-profits credits arising in 1946 to 1944 and 1945 and reduce the excess-profits tax paid in these years.

Do I correctly understand that to mean that under this bill, which undertakes to repeal the excess-profits tax, there nevertheless will be a continuation of the carry-back provisions, which in some cases—perhaps in many—will result in reducing the excess-profits tax already accrued for 1944 and 1945?

Mr. GEORGE. Mr. President, if the Senator will permit me, let me say that the loss carry-back provision applicable to the excess-profits tax does permit a carry-back of a loss against the taxes

actually paid during a profit year. The theory of the loss carry-back is simply that in a war period, with rapidly fluctuating prices and with rapidly fluctuating inventories, it is not quite possible for any taxpayer to be said to have made a profit unless more than 1 year is considered. In an ordinary, normal period in many cases it is difficult enough to determine whether profits have actually been made. But particularly is that true in a war period. So there are two types of loss carry-back. One is the loss carry-back of losses sustained. That is not affected by this bill, and of course that continues. Then there is the loss carry-back of the unused excess-profits credit. If a corporation has an unused excess-profits credit in any year, it may carry it back as against taxes actually paid in the two preceding years. That is the general or ordinary principle.

The Secretary of the Treasury recognized that it would not be equitable or fair to cut off the excess-profits taxpayers without some advantage accruing from the unused excess-profits credit available to them. But he did say that he did not think the unused excess-profits credit should be continued for more than 1 year after the repeal of the tax.

Mr. O'MAHONEY. Well, will this credit which may be carried back against the accrued taxes of previous years be a credit accruing under this bill, that is to say, a credit which accrues in the future?

Mr. GEORGE. If the taxpayer has an unused excess-profits credit arising in 1946, it may be carried back to 1945 or 1944.

Mr. O'MAHONEY. Well, we are now in 1945.

Mr. GEORGE. Yes.

Mr. O'MAHONEY. Therefore, it would seem to me that this proposal has the effect of making it possible for a corporation which has made an excess profit and has become liable for an excess-profits tax during the war years to apply against that war tax a credit which will be earned in a peace year.

Mr. GEORGE. That is true. That is what the provision is intended to do. Let me to say to the Senator that in trying to devise an equitable excess-profits tax we were confronted with innumerable problems: First, what credit were we going to fix? Everything a corporation makes is not excess profits.

Mr. O'MAHONEY. Oh, no.

Mr. GEORGE. It might be only $1. Therefore, we had to fix a measure for determining excess profits. We had to determine how we should deal with declining inventories and undermaintenance.

Mr. O'MAHONEY. I realize that it is a problem of great complexity.

Mr. GEORGE. Let me finish, please; I shall be very brief.

There was suggested on the part of the railroads and various other corporations that they be allowed to set up a deferred maintenance reserve. They could not make the improvements during the war. They said, "Therefore, let us have a reserve which we can now set up, which we can use after the war to do the things we should have been doing during the war." Then there was a larger group of corporations which said, "We want and we must have, if we are to be saved from bankruptcy, a depreciation reserve or an inventory reserve to meet our problems."

What happened was that we did not grant the relief which either group asked for, or even the relief which other types asked for. We provided for a carry-back provision. Subsequently, because of great inequities which we found developing, we provided for an unused excess-profits credit carry-back.

I should like to say further to the Senator that we recognized that there were some corporations which were in a position to take advantage and which might take great advantage of even this 1-year carry-back of unused excess-profits credit.

In the part of the report which appears on page 30, the following is pointed out:

> There is danger that the operation of the unused excess-profits credit carry-back provision, particularly in 1946, may make possible certain abuses. These potential abuses might arise through various devices or transactions entered into wholly or in large part for the purpose of obtaining refunds of wartime excess-profits taxes through unused credit carry-backs, or through transactions having the apparent effect of creating carry-back refunds in situations unrelated to the purpose and intent of the provisions allowing carry-backs. While various tax-avoidance schemes are already dealt with either by express provision in the internal-revenue laws or through court decisions, your committee will give further consideration to the necessity or desirability of retroactive legislation in this connection.

I think a typical example would be in the case of a corporation which, through 1946, had merely maintained a skeleton organization, very largely hoping to realize profits out of the application of this very principle, and therefore the necessity of a further study and further legislation in order to meet the abuses if, as, and when they may arise.

Mr. O'MAHONEY. I appreciate the Senator's reference to that aspect of the situation, because I was about to raise that question, having read the sentence from the report on page 19. However, it is recognized in the report that this carry-back is subject to abuse. The recognition by the committee of the fact that it is subject to abuse and inequities, and the declaration which the Senator just read from page 30 of the report, constitute, in the Senator's opinion, I take it, as well as in the opinion of other members of his committee, sufficient notice to taxpayers that abuses will not be tolerated.

Mr. GEORGE. They will not be tolerated. The Senator is entirely correct. That fact undoubtedly was in the mind of the Secretary of the Treasury when he asked for a reduction of the period from 2 years to 1 year.

Mr. O'MAHONEY. Of course, we are all familiar with the fact that advantage is always taken of the letter of any tax law in order to create losses which may be deducted from taxes due. That, of course, is something which should be avoided, particularly when having emerged from the war we create a system by which, apparently, losses which might be voluntarily incurred during peacetime could be set aside as deductions against profits which had been properly a subject of high taxation during the war.

Mr. GEORGE. The Senator is quite correct. We incorporated this provision at two places in the bill in order to serve as a warning. We have the happy advantage of being able to enact retroactive legislation in order to meet any situation of the kind which the Senator apprehends will arise and, frankly, I think it will arise in some cases.

Mr. O'MAHONEY. It occurs to me as being appropriate to suggest that it might be of information to the Senate if the chairman would request the staff of the Finance Committee to prepare a memorandum to be inserted in the RECORD, setting forth in a little more detail the character of the abuses and inequities to which reference has been made. I believe that in passing upon the bill we should know just what kind of abuses are likely to occur.

Mr. GEORGE. Mr. President, I may say to the Senator that the staff is at work on the problem, and we do not want to become committed or frozen to any enumeration of circumstances which we might wish to upset by subsequent legislation.

Mr. O'MAHONEY. It would be possible to disavow any purpose of becoming committed.

Mr. GEORGE. It is sufficient to say that if any abuse occurs we will have the power and right to correct it by retroactive legislation. That is why we were at great pains to emphasize at two places in the report not only the possibility but the certainty that further steps will be taken if those abuses actually occur.

Mr. O'MAHONEY. I compliment the chairman of the committee for taking that position.

Mr. GEORGE. I believe that in 90 percent of the cases no abuse will occur.

Mr. O'MAHONEY. I still believe that it would be of great benefit to the Members of the Congress, and to the public as well, to know the type of abuse and inequity of which the committee has already apparently taken cognizance.

Mr. President, there is another question which I wish to propound to the Senator from Georgia. Unfortunately I was not able to be on the floor of the Senate, because of a meeting of the Appropriations Committee, when the Senator began his exposition of the bill at approximately 11 o'clock this morning. I do not find, in running hastily through the report, an estimate of the revnue from corporations which is likely to be received under the bill as revised by the Senate committee, and an estimate of the revenue likely to be received from individuals. Has such a table been prepared?

Mr. GEORGE. The tables on pages 4 and 5 of the report supply the information. They show the estimated tax liabilities under present law, under the House bill and under the Finance Committee bill. Estimated net reductions in tax liabilities under both the House and Senate bills appear on page 5 of the report.

Mr. O'MAHONEY. I thank the Senator. I shall be very glad to examine

the tables to which the Senator has referred.

I notice on page 6 of the report, under the heading "General discussion of recommended individual income-tax reductions," in the second paragraph, the following statement:

The revenue loss from this provision is estimated at $782,000,000.

I accept that as being a statement that the committee is of the opinion that the revenue loss, by reason of concessions granted to individual income taxpayers, will be only $782,000,000, while on page 19 of the report——

Mr. GEORGE. No: the Senator is incorrect. The reference is only to one provision.

Mr. O'MAHONEY. Oh, yes. What is the total?

Mr. GEORGE. The total is $2,644,000,000. That figure appears in the table on page 5 of the report. It applies only to individuals. The loss to which the Senator first called attention results from the application of the surtax exemptions to the normal tax.

Mr. O'MAHONEY. Oh, yes. That is only one item.

Mr. GEORGE. It is only one item.

Mr. O'MAHONEY. There are several items, and the total, as I understand the Senator, of reductions on individuals will be greater than two and one-half billion dollars.

Mr. GEORGE. It will be $2,644,000,000.

Mr. O'MAHONEY. How does that figure compare with the reduction which will be granted to corporations?

Mr. GEORGE. The estimated reduction in the case of corporations is $2,849,000,000.

Mr. O'MAHONEY. The reduction for corporations is slightly more, therefore, than is the reduction for individuals?

Mr. GEORGE. It is slightly more, but there is an automobile use tax involved, the removal of which will actually benefit individuals, and the loss there is estimated to be $140,000,000. There is not a large difference between the two figures.

INDIVIDUALS PAY MORE TAXES THAN CORPORATIONS

Mr. O'MAHONEY. Mr. President, I should like to invite attention of the members of the Senate Finance Committee, as well as all other Members of the Senate, to the fact that there has been a change in the source of the bulk of the national revenue during the war. Prior to 1944 the corporation income-tax law always resulted in a much larger revenue to the Federal Government than did the income tax on individuals. During the year 1944 for the first time the rates on individual income taxes were so raised that the receipts from individuals exceeded the receipts from corporations by considerably more than $3,000,000,000. That was true also in 1945. An inquiry of the Treasury Department elicits the information that the estimates for 1946 are not available, but, Mr. President, I think that this is a matter of great significance. In 1940, for example, the individual income taxes amounted to $982,000,000, whereas corporate income taxes amounted to $1,148,000,000. In 1941 individual income-tax receipts to the Federal Treasury amounted to $1,418,000,000, while corporation taxes amounted to $2,053,000,000. In 1942 individual income taxes increased to $3,263,000,000, and corporate income taxes increased to $4,744,000,000. In 1943 the comparison was: Individual income taxes, $6,620,000,000; corporation income taxes, $9,669,000,000. In 1944, however, there came a tremendous change. Individuals on their income taxes for that year paid the stupendous sum of $18,261,000,000, while corporation income taxes amounted only to $14,767,000,000. I say "only" by comparison. In 1945 the figures were individual income taxes, $19,034,000,000; corporation income taxes, $16,027,000,000.

There must be some significance to these figures, and I should like to have them explained.

Mr. HAWKES. Mr. President——

Mr. O'MAHONEY. I yield to the Senator from New Jersey.

Mr. HAWKES. I merely wanted to ask the Senator a question. Does he not think it fair in making that analysis to point out that a very substantial part of the income on which taxes were paid in the hands of individuals came from the corporations in the form of dividends, and so forth? So, in reality, there was a double taxation paid on corporation receipts.

Mr. O'MAHONEY. That, of course, is a factor which is worth considering. I am asking these questions in order to obtain a little information upon the subject.

Mr. HAWKES. I am not questioning the Senator's purpose; I know what his purpose is. The only thing I have in mind is to point out that a very substantial part of the $19,000,000,000 paid by individuals in the form of income taxes came really from corporations.

Mr. O'MAHONEY. I would not want to say of this bill that it provides benefits for corporations but high taxes for individuals.

Mr. HAWKES. No. I agree with the Senator absolutely.

Mr. O'MAHONEY. So that it is important to know the significance of these figures. I am moved to make this observation: One of the serious aspects of our whole economic problem is that we have changed from an individual economy to an organized economy. The large corporation has had a more favored position than the small corporation, and both—certainly the large corporation—have had a much better place in the economy than the individual has had. The large corporation is able to sustain itself on reserves or carry-back provisions, whereas the individual does not have the opportunity quite so easily to protect himself. We should be on our guard, it seems to me, against passing a tax bill, the effect of which would be to emphasize this transformation from an individual economy to an organized corporate economy.

Mr. GEORGE. Mr. President, I think the Senator is entirely wrong in his premises.

Mr. O'MAHONEY. I am asking questions, may I say to the Senator?

Mr. GEORGE. We have an individual income-tax liability base at the present time of $43,476,000,000. That is the total surtax net income—$43,476,000,000.

Mr. O'MAHONEY. From what is the Senator reading?

Mr. GEORGE. From page 46.

Mr. O'MAHONEY. Of the hearings?

Mr. GEORGE. Yes; page 46 of the hearings, part I. As the corporation base is only $16,000,000,000, of course, more revenue is obtained from the $43,000,000,000 base than from the $16,000,000,000 base.

Then, too, the individual rate is very high. It goes up beyond 90 percent on individuals, and it is only by virtue of a cut-back that it is held to 90 percent; it would be right up to the roof if it were not cut back under existing law. Individuals do not get sufficient relief in this bill, I grant, and it will be a couple of years before they can be relieved so as to pay what is a reasonable tax; but actually in this country a tremendous volume of business is carried on by individuals, as sole proprietors or partnerships, who are taxed as individuals, so that total surtax net income, after exemptions, is estimated at $43,476,000,000, while corporate net income is estimated at $16,545,000,000. That is the net income of all corporations. The estimated tax in 1946 on all corporation income, including excess profits and capital-stock taxes, is $9,054,000,000, under the present law if that law were continued in effect. That is the estimate of receipts from all corporation taxes—$9,054,000,000—while individual incomes will pay an estimated liability of $13,340,000,000. It is a larger tax than the corporation tax, but the base, of course, is very much greater, and the rates on incomes of individuals have gone up very rapidly since 1940.

Mr. O'MAHONEY. Did not that same disparity exist in 1942 and in previous years?

Mr. GEORGE. I think it did because of the great number of individual income taxpayers and the high rates on their total surtax net income. There are only 260,000 taxpaying corporations. There are more corporations than that, but some of them do not pay a tax.

Mr. O'MAHONEY. That is precisely why I asked the question. I am pointing out that all through the history of the income tax, certainly so far as these figures which I have before me are concerned, from 1930 to date, the Government received more from the corporations in corporate income taxes than it took from individuals, until 1944, when the situation was reversed; so I am inquiring why that change has been made.

Mr. GEORGE. I will say to the Senator that we never levied very heavy taxes on individuals until the beginning of the defense and war period, when our individual tax rates were raised. If the point the Senator wishes to make is that they are entirely too high now, I thoroughly agree.

A FISCAL CRISIS CONFRONTS US

Mr. O'MAHONEY. Of course, Mr. President, I feel that this is the time when the Government needs revenue more than it probably ever needed it before. The war is over, but the economic readjustment has not been made. We have a national debt at this moment, according to the last figures of the Treasury, of

$262,000,000,000, and we are still financing out of deficits. The national income, according to the latest reports from Government sources, is falling off; and when I speak of the national income, I am speaking of the receipts by the businesses and the individuals of the country, and not the receipts of the Federal Government.

Obviously, when the national income falls off and the national debt climbs higher, we are confronted with a crisis, and I seriously question whether we should undertake at a time like this to make any substantial cut in our revenues.

The most appalling thing, Mr. President, from the financial point of view of this Government, it seems to me, is that the pending bill undertakes to make a reduction in the tax revenue of this Government almost as great as the amount of the interest the Government will have to pay upon the national debt next year. The estimate of interest upon the national debt for the fiscal year 1946 was four and a half billion dollars. That is a charge against the Treasury of the United States, and at the very moment when we are confronted with that charge, and are embarking upon the sale of more bonds to the public, we are reducing the receipts of the Treasury out of which that interest must be paid.

Mr. President, I cannot fail to remember that before we became involved in manufacturing war commodities for France and for England, in 1939, 1940, and 1941, and the national debt had reached a peak of about $50,000,000,000, almost twice what it was at the end of World War I, everyone in the country wondered what was going to happen. There were many predictions of the destruction of our system, the system of private property, and those predictions were based upon sound reasoning. But now we have a national debt which is five times greater than the national debt which preceded the war, and we undertake blithely to cut taxes.

Mr. President, are we trying to tell the people of the United States that we have issued from this crisis and that our national fiscal worries are over? Are we trying to tell them that a national debt of $262,000,000,000 does not amount to very much?

Mr. ELLENDER. Mr. President, will the Senator from Wyoming yield?

Mr. O'MAHONEY. I yield to the Senator from Louisiana.

Mr. ELLENDER. Would the Senator venture a guess as to what would happen to reconversion if we were to continue the high taxes paid by individuals and by corporations?

Mr. O'MAHONEY. My impression is that it would not seriously affect reconversion, because I believe there can be no successful reconversion unless it is made upon a sound basis.

Mr. ELLENDER. Is not cutting taxes at this time one of the main features, and will not reconversion be helped by our following that course?

Mr. O'MAHONEY. I think that is one of the reasons that is advanced, certainly, but that it is a sound reason I seriously doubt. I think we are blindfolding ourselves.

The truth of the matter is that there is a tremendous demand in the United States for consumer commodities of various kinds. We hear a great deal of the so-called pent-up demand. That pent-up demand is not going to diminish overnight, or be filled overnight. In my opinion, that pent-up demand will not be sufficient to reestablish our economy. But certainly it is a thing upon which we can make the first faltering step toward the reestablishment of a sound economy.

There is a tremendous demand abroad, too, a potential demand, which may or may not become actual. The rebuilding of Europe, if ever we undertake to permit the people of Europe to rebuild, the rebuilding of China, may create a market for vast production here in the United States, but certainly everyone knows that the great danger to sound fiscal policy, the great danger to the system of private property, the great danger to capitalism, is that the national debt will become so great that it cannot be paid. I call attention to the fact that one of the primary contentions of the Communist leaders has always been that capitalism will break down, because national debts cannot be paid. Are we going to invite that sort of catastrophe in the United States?

Mr. President, these, I think, are profound questions, which deserve a great deal of consideration. I understand that an effort will be made to put the pending bill through very quickly. Whether it is desirable to do that or not, I do not know.

AMOUNT OF SAVINGS BONDS

I have in my hand a table showing the holdings of savings bonds in the United States. Series A to D bonds are now in the hands of individual citizens of this country in the accumulated amount, current redemption value, of $3,565,000,000; series E bonds, $29,869,000,000; series F bonds, $2,674,000,000; series G bonds have a face value outstanding of $10,633,000,000, making a total of $46,741,000,000.

Mr. President, these are demand bonds. These are bonds the holders of which may go to any bank or post office and ask for the payment not only of the interest but of the principal. Is it good sense, with $46,741,000,000 worth of savings bonds outstanding in the hands of the people of the United States, to undertake to slash the taxes? I am quite willing, of course, to correct inequities. They ought to be corrected. I recognize the fact that the excess-profits tax is an unnecessary burden upon reconversion and it ought to be eliminated.

Mr. ELLENDER. To what extent?

Mr. O'MAHONEY. If the Senator will permit me to finish. I believe the bill as it came from the House repealing only 40 percent, if I am correctly advised, of the excess-profits tax and leaving 60 percent, would constitute an almost insuperable barrier to the little businesses of the United States to recover. Therefore I compliment the Senate Finance Committee for having made provision to repeal it in its entirety. I think that is a justifiable act, because we are here dealing with a tax system for peace instead of a tax system for war. I would like to stimulate all business, little and big too, and give them the chance to make some profits. But we must keep these bonds sound.

I now yield to the Senator from Louisiana.

Mr. ELLENDER. I am in full agreement with the Senator from Wyoming, but I should like to know the extent to which he thinks the excess profits tax should be reduced. In its entirety?

Mr. O'MAHONEY. I am rather inclined to accept the action of the Finance Committee on that because if I understant it correctly, the formula which was devised in great haste during the war for the purpose of acquiring an increased revenue to help pay for the war is not an equitable formula.

Mr. ELLENDER. As I understand the bill now before the Senate all excess profits taxes would be repealed.

Mr. O'MAHONEY. That is correct. That is my understanding.

Mr. ELLENDER. Then, the Senator is questioning the advisability of reducing income taxes as far as individuals are concerned. Am I correct in that?

Mr. O'MAHONEY. And income taxes so far as corporations are concerned.

Mr. ELLENDER. But the latter reduction amounts, according to the report, to $294,000,000.

Mr. O'MAHONEY. Oh, it is much more than that.

Mr. ELLENDER. That is what the report states on page 3; "$294,000,000 to the reduction of other corporate taxes."

Mr. O'MAHONEY. As I said to the Senator from Georgia a few moments ago, I have not had an opportunity to examine this report or all of these tables, but in response to my question a moment ago the Senator from Georgia said that the reduction of taxes upon individuals will amount to about two-billion-six-hundred-million-odd dollars, whereas the reduction of taxes on corporations will amount to two-billion-five-hundred-million-odd dollars. What the difference is between income-tax reduction and excess-profits-tax reduction I have not had the opportunity to see.

Mr. ELLENDER. According to the report on page 3 the amount attributable to the reduction of income taxes on individuals aggregates $2,644,000,000, and on corporations, because of the excess-profits-tax reduction, it is $2,555,000,000, and the reduction of other corporate taxes amounts to $294,000,000.

To what extent does the Senator feel that reductions should be accorded to individual taxpayers?

Mr. O'MAHONEY. Mr. President, I am not talking about details. I am not a member of the Finance Committee.

Mr. ELLENDER. But the Senator——

GOVERNMENT'S TAX RECEIPTS

Mr. O'MAHONEY. I am talking here frankly in generalities. But I am calling the attention of the Senate to what I regard to be a factual situation of the greatest moment. For example, here is another set of figures which I think ought to be in the RECORD. I undertook to make an examination of the annual report of the Secretary of the Treasury for 1944. In table 2 of that report I find

a list of the over-all tax receipts of the Federal Government. I took the tax receipts for the years 1920 to 1932, inclusive, because here we find the temperature, so to speak, of the economic body. Here we find the record of the prosperity era of the twenties and the depression era of the thirties. Let no one close his eyes or ears to this record. In 1920 the over-all tax receipts of the United States Government amounted to $6,695,000,000. We had a big debt. We came out of the World War with a debt of $26,500,000,000. And we were possessed then, as we are possessed now, with the passion for reducing taxes, of convincing the people that "This is an easy matter, and we are going to make it convenient for you to make profit."

REDUCE TAXES OR PAY DEBT?

Let us see what happened. We reduced the taxes certainly, and we did not pay the debt. In this capitalistic system of ours under the secretaryship of Mr. Andrew Mellon, the greatest Secretary of the Treasury since Albert Gallatin or Alexander Hamilton—I do not know which—we were reducing taxes. We paid off $9,000,000,000 of the debt, to be sure. But we did not pay it off as we could have paid it off with the profits that the people were earning, because we were more concerned with reducing the amount that was paid by the corporations and the individuals. We reduced the taxes so that in 1928, a year before the crash, the over-all tax receipts of the Federal Government were $4,042,000,000, a reduction of $2,650,000,000.

Mr. HAWKES. Mr. President——

The PRESIDING OFFICER (Mr. HOEY in the chair). Does the Senator from Wyoming yield to the Senator from New Jersey?

Mr. O'MAHONEY. Certainly.

Mr. HAWKES. I should like to say that I appreciate very much, so far as I am concerned, the point of view of the Senator from Wyoming is expressing, because unless the Members of the Senate and the people of the United States realize that we have got to do the things which are necessary in order to keep ourselves financially sound and maintain the standing of the dollar in the world, we are going to have great difficulty.

I think there is a difference of viewpoint here. I do not know that there is a difference in objective. The committee has very carefully gone into all these things, and under the circumstance I am in a very definite accord with the recommendations of the committee.

I want to leave this point with the Senator from Wyoming, for whom I have a very high respect and regard.

Mr. O'MAHONEY. I thank the Senator.

Mr. HAWKES. No one in this body, and no one in the United States knows how much money would be kept out of the Treasury by taking off the excess-profits tax at the present time. We must think about the increased wages, the increased demands, the costs and the ceilings and all other things. I defy anyone in this country to tell me whether business—big business and little business—is going to make excess-profits tax money even with the opportunities for successful operation that lie in front of them. If the excess profit is not there, then by removing that tax we stimulate them to reach for something and thereby augment and implement the use of manpower by setting the machine in operation again. If we have done that we have done a great job without paying the price out of the Treasury.

If the distinguished Senator differs with me, I should like to have him say how he knows, or why he thinks, that under the conditions which are before us the great excess profit from which this revenue to the Government is to come, is to be produced.

Mr. O'MAHONEY. The Senator misunderstands me. I have said that I believe the committee is acting wisely in recommending the repeal of the excess-profits tax.

Mr. HAWKES. No; I did not misunderstand the Senator. I understand him perfectly. The point is that when we talk about the approximately $5,000,000,000 which is being taken out of the revenue of the country, about two and a half billion dollars of that amount is from excess profits. I believe that the Senator and I are thinking along the same lines, but I wish to give him my business point of view. I do not believe that today there is a business institution in the United States which knows that it is going to make an excess profit under the conditions confronting business. The Senator was not in the Chamber when we were discussing the question of a general tax bill.

Mr. O'MAHONEY. I was in the Appropriations Committee considering the spending of money out of the deficit.

Mr. HAWKES. There is no way by which we can handle the taxation problem satisfactorily to the people of the United States until we handle the problem of the appropriation, expenditure, and waste of money by the Government.

Mr. O'MAHONEY. I remind the Senator that a few weeks ago the Committee on Banking and Currency reported a bill intended to equip the Government to make a plan for full employment. When that bill was under debate here it was denounced as unsound because, as it came from the committee, it did not carry provision for a tax to finance possible expenditures. Now those arguments are forgotten.

We know that we are still confronted by tremendous deficit expenditures which cannot be avoided, and by deficit lending. Great Britain started with a request for $8,000,000,000. It is now down to approximately $3,000,000,000. I understand that France wishes to borrow, and Russia. UNRRA is seeking an appropriation of $550,000,000, an appropriation which, in all probability, we must grant, because we cannot permit hunger and starvation to stalk through Europe and the conquered areas. But the obligations of the Government are increasing, and in the name of sound fiscal policy we are now talking about cutting away the taxes.

Mr. HAWKES. Mr. President, let me interrupt the Senator. We are all seeking the same point. No one knows just where that point is. However, as I understand, it is the belief of the Senate Committee on Finance, of which I am a member, that the examination of the excess-profits tax, which I understand the Senator favors——

Mr. O'MAHONEY. Because I believe it would be a stimulus to little business.

Mr. HAWKES. Absolutely.

Mr. O'MAHONEY. Because I believe that the formula under which the tax is paid is defective, in that it creates a basis which is altogether favorable to the large corporation and altogether unfavorable to the small corporation and the new corporation. We need new business.

Mr. HAWKES. Let me say to the Senator that my reasons expressed in the committee were precisely as the Senator has stated. I believe that the removal of the excess-profits tax will do more for little business, more for business which does not have an established, satisfactory basis of earnings, and more for new business, than it will do for old business.

Mr. O'MAHONEY. That is essential; and any expenditure which we make out of the Federal Treasury by way of reduced taxes, as well as by way of appropriations for public works to create employment, is a justifiable and sound contribution by the Federal Government if it results in creating new business and thereby creating new taxes.

Mr. HAWKES. If the Senator will let me conclude, I shall not bother him further.

It is my hope that when we come to the consideration of a general tax bill next year we shall be able to know more about where we are moving in connection with the industrial operations of the country and the needs for money, and be able to devise a bill simple enough for everyone to understand, a bill which will furnish revenue to do the things we are talking about today, because we must keep faith. We must pay our debts. There is no way that I know of to get rid of a debt except to pay it, and this great Nation must pay its debts.

Mr. O'MAHONEY. The Senator is quite correct.

Mr. HAWKES. The Committee on Finance has used its best endeavors to find a point to which we can reduce taxes and stimulate industry, starting the wheels of business so that we can get the full employment we are all talking about, and thereby produce revenue, because, after all is said and done, a tax bill which would take 99 percent of everything everyone makes, when no one made anything, would not produce any revenue. So, as I stated earlier in the day, we must find the happy medium. We must find a tax which will produce revenue, and which is fair enough so that it will stimulate business to go back to full effort and work.

Mr. O'MAHONEY. I am grateful to the Senator for his contribution to this discussion. I have already expressed my gratitude to the Committee on Finance for the announcement contained in the report, and reaffirmed here upon the floor by the distinguished and able chairman the Senator from Georgia [Mr. GEORGE], that the committee is now at work upon a revision of the tax structure. It is a job which needs very much to be done.

COUNTRY FACING INFLATION

Mr. President, I was calling the attention of the Senate to the gravity of the

over-all situation. I wish the record to be clear, that this country is facing inflation, and that those who may believe that it is possible for them to profit themselves by avoiding taxes while some other segment of the economy bears the burden are only deluding themselves. I rise to say that we are reenacting the history of the period following World War I. I was pointing out how, during the twenties, we were more concerned with reducing taxes than we were with sustaining the sound basis of our fiscal system by paying off the debt. I read the total amount which was received by the Federal Government in 1920, including customs revenue and miscellaneous receipts. The amount was $6,695,000,000. In 1929 that had been reduced to $4,033,000,000, a decrease of more than $2,600,000,000. In 1931 the revenue fell, not because of the reduction of taxes, but because of the depression. Tax rates made no difference because the people were not employed. So the revenue in 1931 was only $3,190,000,000, considerably less than half the revenue in 1920, and almost $1,000,000,000 less than the revenue in 1928. But in 1932 we were all engaged upon deficit spending, because the income and the profits of the people had almost disappeared. In that year the revenue of the Federal Government was only $2,006,000,000.

This certainly raises the question whether we are wise when we voluntarily undertake to cut the Nation's tax receipts. Are we wise when we set our feet upon the same path which was followed in the twenties, particularly when we know that we are confronted with this tremendous debt of $262,000,000,000, of which $46,000,000,000 is held by the little people of America. Today we are confronted with a debt of $262,000,000,000, and all the rest of the world is looking to us to finance them.

Never did the Nation need revenue more than it needs it now. Never were the people better prepared to bear taxes than they are now. Never was capitalism in greater danger than now. Never was there a more inappropriate time to cut taxes.

Mr. BAILEY. Mr. President, will the Senator yield?

Mr. O'MAHONEY. I yield.

Mr. BAILEY. I wish to compliment the Senator, and I fully agree with him. I am going to extend him a very cordial invitation to join the economy bloc. [Laughter.]

Mr. O'MAHONEY. Mr. President, I remember that shortly before the full-employment bill was under consideration here, I voted upon this floor to reduce the authorized expenditure for building airports to $50,000,000 a year, while some of those who were attacking the full-employment bill were voting for an authorization of $75,000,000 a year, but no tax to pay it.

Mr. President, now I have said a good deal more than I intended to say——

Mr. BAILEY. Mr. President, will the Senator yield to me for a further moment?

Mr. O'MAHONEY. Yes, indeed.

Mr. BAILEY. I welcomed the compromise whereby we reduced the authorization with respect to airports. But we in the Senate cannot levy taxes. That bill originated in the Senate.

Mr. O'MAHONEY. I made the remark because the Senator invited me to join the economy bloc, and I was merely pointing out that I was $25,000,000 more economy-minded than were some of the opponents of the measure I was sponsoring in an endeavor to increase the earning capacity of the people and the businesses of the United States.

Mr. BAILEY. What I wish to say is with regard to the suggestion that no tax was provided for in connection with that measure. I am in favor of a tax program which will pay the way of the airport bill. But we in the Senate cannot insert such a tax program in the bill. We on the Senate side cannot impose taxes. In some of the remarks which I made in the Senate when the airport bill was pending, I said that as matters stood I am inclined to believe that the development of aviation in this country will account for every dollar we appropriate, first by way of revenues from the gasoline taxes, and already we are making money on the post-office end of it.

Mr. O'MAHONEY. Of course, Mr. President, the full-employment bill of which I was speaking was a declaration of policy, and the tax feature had no particular application as to whether it originated in this branch of Congress or in the House of Representatives.

Now let me add just a further word. We know that the danger of inflation is great. We know that the best answer to inflation is increased production. Anything which contributes toward increasing production, increasing business, increasing employment, is contributing toward the salvation of our system, whether it comes by way of reduced taxation or by way of sound expenditures. But no person in all this country should close his eyes to the danger which confronts our system. As President Roosevelt once said, if I remember correctly, in one of his campaign speeches in 1932, we can wreck free government upon the shoals of unsound fiscal policy. Let us be sure that we are not engaging upon it now.

So, Mr. President, I ask unanimous consent that there may be printed at this point in the RECORD the following tables: United States savings bonds outstanding on September 30, 1945; sales of E bonds, by States, in the fiscal years 1944 and 1945; individual and corporate income-tax collections from 1930 through 1946; over-all tax receipts from 1920 through 1932; and expenditures for interest on the public debt from 1930 through 1946. Mr. President, although I discussed this point briefly, after glancing at the table I cannot refrain from calling the attention of those who are here to the fact that in 1930 the interest on the national debt was $659,000,000, whereas in 1945 the interest on the national debt was $3,617,000,000. Over that period there was an increase of almost $3,000,000,000, and the record shows that the receipts of the Federal Government from income taxes upon individuals never reached $3,000,000,000 until the year 1942, when those receipts totaled $3,263,000,000.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

United States savings bonds outstanding on Sept. 30, 1945

[In millions of dollars]

Series A–D	[1] 3,565
Series E	[1] 29,869
Series F	[1] 2,674
Series G	[2] 10,633
Total	46,741

[1] Current redemption value.
[2] Face amount.
Source: Statement of the public debt, Sept. 30, 1945 (on the basis of daily Treasury statements).

Sales of E bonds by States, fiscal years of 1944–45

[In millions of dollars]

State	1944	1945
Alabama	139	152
Arizona	42	44
Arkansas	74	76
California	970	972
Colorado	90	83
Connecticut	221	212
Delaware	28	27
District of Columbia	135	140
Florida	143	155
Georgia	146	157
Idaho	40	37
Illinois	755	842
Indiana	314	323
Iowa	263	243
Kansas	163	163
Kentucky	128	122
Louisiana	141	135
Maine	55	52
Maryland	153	157
Massachusetts	391	373
Michigan	688	628
Minnesota	250	229
Mississippi	83	87
Missouri	284	273
Montana	55	52
Nebraska	128	127
Nevada	13	14
New Hampshire	33	32
New Jersey	415	421
New Mexico	28	29
New York	1,290	1,365
North Carolina	149	153
North Dakota	58	57
Ohio	714	710
Oklahoma	135	139
Oregon	160	157
Pennsylvania	857	857
Rhode Island	61	63
South Carolina	76	80
South Dakota	54	49
Tennessee	147	147
Texas	495	477
Utah	56	54
Vermont	19	18
Virginia	190	203
Washington	258	247
West Virginia	92	96
Wisconsin	248	262
Wyoming	24	22

Adjustment: Add to 1944 figures $226,000,000, subtract from 1945 figures $20,000,000. $58,000,000 in 1944 was unallocated to States.
Totals: 1944 total, $11,820,000,000; 1945 total, $11,520,000,000 (Daily Treasury statement).
Table above from the Treasury Bulletin for October 1945.

Individual and corporate income-tax collections

[In millions of dollars]

	Individual income taxes	Corporation income taxes [1]
Fiscal year—		
1930	1,147	1,263
1931	834	1,025
1932	427	630
1933	353	394
1934	420	400
1935	527	579
1936	674	753
1937	1,092	1,088
1938	1,286	1,343
1939	1,029	1,156
1940	982	1,148

[1] Includes excess-profits taxes.

Individual and corporate income-tax collections—Continued

	Individual income taxes	Corporation income taxes [1]
Fiscal year—Continued		
1941	1,418	2,053
1942	3,263	4,744
1943	6,630	9,669
1944	18,261	14,767
1945	19,034	16,027
1946 (estimated)	(2)	(2)

[1] Not available.

Source: For 1930–44, table 8 of Annual Report of Secretary of the Treasury for 1944, which figures are based upon Bureau of Internal Revenue reports of collections. For 1945, Bureau of Internal Revenue reports of collections.

Over-all tax receipts—total receipts (including customs revenue and miscellaneous receipts)

[In millions of dollars]

Fiscal year:	Amount
1920	6,695
1921	5,625
1922	4,109
1923	4,007
1924	4,012
1925	3,780
1926	3,963
1927	4,129
1928	4,042
1929	4,033
1930	4,178
1931	3,190
1932	2,006

Source: Table No. 2, Secretary's annual report 1944.

Expenditures for interest on the public debt

[In millions of dollars]

Fiscal year:	Amount
1930	659
1931	612
1932	599
1933	689
1934	757
1935	821
1936	749
1937	866
1938	926
1939	941
1940	1,041
1941	1,111
1942	1,260
1943	1,808
1944	2,609
1945	3,617
1946 (estimated)	4,500

Source: For fiscal years 1930–44, annual reports of the Secretary of the Treasury. Figures based upon daily Treasury statements. For fiscal year 1945, daily Treasury statement. For fiscal year 1946, revised Budget estimates of August 31, 1945.

Mr. JOHNSON of Colorado. Mr. President, I should like to have inserted at this point in the RECORD a statement made by the Secretary of the Treasury, Mr. Vinson, with respect to the number of taxpayers, starting with 362,970 in 1916, and increasing up to the number we have at the present time. I should like to have the entire paragraph of the statement on that point inserted at this place in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

MR. VINSON. * * *

There you see the number of taxable returns running from 362,970 in 1916 and then up to 4,489,698 in 1924. Then we increased exemptions and there was a drop—I think that was in the Revenue Act of 1926—and there was a drop down to 2,500,000 in 1925. There were 2,470,990 taxable returns in 1926, and in 1931, when it was at the bottom, 1,525,546. Then in 1939, which is the year we generally take as a prewar year—and it may not exactly be a fair prewar year, it may be that 1938 would be better for some purposes—in 1939 you had just less than 4,000,000, and in 1938, 3,000,000 plus. And under the proposal that I suggested you will have 31,500,000. Perhaps 10 times as much as in 1938, and about 7½ times as much as in 1939.

The PRESIDING OFFICER. The first committee amendment has been stated, and the question now is on agreeing to it.

Mr. GEORGE. Mr. President, I hope we may make some progress with the amendments.

The PRESIDING OFFICER. The clerk will again state the first amendment proposed by the committee.

Mr. O'MAHONEY. Mr. President, I should like to inquire of the Senator from Georgia what the program is. Will Members of the Senate have an opportunity to examine the report at length before we are called upon to vote upon the bill?

Mr. GEORGE. We hope to conclude debate on the bill as early as possible.

Mr. O'MAHONEY. Naturally.

Mr. GEORGE. But the bill will have to go to conference. In order that it may be properly administered, the Bureau of Internal Revenue, so I am advised, thinks it should receive the bill around the 1st of November, or else it will not be able to prepare tables, additional forms, and so forth, in time.

I do not know how long consideration of the bill will take. I think we can ascertain that better when we see how many amendments will be offered or what changes to the bill will be suggested.

The PRESIDING OFFICER. The first amendment of the committee has already been read once by the clerk.

Mr. LA FOLLETTE. Mr. President, if we are ready to proceed now with the amendments, I suggest the absence of a quorum.

Mr. O'MAHONEY. Mr. President, will the Senator withhold the suggestion for a moment?

Mr. LA FOLLETTE. I withhold it.

Mr. O'MAHONEY. I have no desire at all to impede action upon the bill, and I shall not object to consideration of the amendments now if we are to understand that a final vote upon the bill will not be asked for today.

Mr. GEORGE. Mr. President, I cannot make any agreement. This measure is of such character that under the circumstances I shall not be able to make any agreement. I had hoped that we might be able to get through with the bill today or at least tomorrow, but I cannot go beyond that statement.

Mr. O'MAHONEY. What is the Senator's judgment as to the likelihood of passing the bill today? Does he think that point will be reached?

Mr. GEORGE. It is already nearly 2 o'clock, and we have been in session since 11 o'clock. We have not yet reached the first amendment.

Mr. O'MAHONEY. I hope we have not wasted time.

Mr. GEORGE. I hope not. I cannot answer the Senator's question. The answer will depend on the amendments which may be offered to the bill. There are lying on the table only two printed amendments. I think we will be very lucky if we complete consideration of the bill by tomorrow evening.

Mr. O'MAHONEY. Mr. President, I shall await developments.

Mr. LA FOLLETTE. I renew my suggestion of the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Andrews	Gurney	O'Daniel
Austin	Hart	O'Mahoney
Bailey	Hawkes	Overton
Bankhead	Hayden	Radcliffe
Barkley	Hickenlooper	Reed
Bilbo	Hill	Revercomb
Brewster	Hoey	Robertson
Briggs	Huffman	Russell
Brooks	Johnson, Colo.	Saltonstall
Buck	Knowland	Shipstead
Butler	La Follette	Smith
Byrd	Langer	Stewart
Capehart	Lucas	Taft
Capper	McCarran	Taylor
Chavez	McKellar	Tobey
Connally	McMahon	Tunnell
Cordon	Magnuson	Tydings
Donnell	Maybank	Vandenberg
Downey	Mead	Wagner
Eastland	Millikin	Wheeler
Ellender	Mitchell	Wherry
Ferguson	Moore	White
George	Morse	Wilson
Gerry	Murdock	Young
Green	Murray	
Guffey	Myers	

The PRESIDING OFFICER. Seventy-six Senators have answered to their names. A quorum is present.

ELECTRIC POWER BOARD OF CHATTANOOGA

Mr. STEWART. Mr. President, last Monday I referred to the annual report of the Electric Power Board of Chattanooga, Tenn. I pointed out that the board made use of the Tennessee Valley Authority, and that electricity was sold by the board at rates which, as I recall without placing my finger at the moment upon the actual figures, brought about an average saving to users, both domestic and commercial, of about 1 cent a kilowatt-hour. Since the advent of TVA the average rate there has been about nine-tenths of 1 cent per kilowatt-hour, while in contrast the average cost of power sold by private power companies in the last year of the Tennessee Power Co.'s operations was 1.7 cents per kilowatt-hour.

Mr. President, the statement of the Electric Power Board of Chattanooga has attracted some attention, and several questions have been asked me about it. In order that the Senate may have the full benefit of the report, although a small portion of it advertises the city and area of Chattanooga, I ask unanimous consent that the report in its entirety be printed in the RECORD at the conclusion of my remarks. It is not long, covering only about 20 pages.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

(See exhibit A.)

Mr. STEWART. Mr. President, in reply to several questions which have been

asked me about the report, I should like particularly to point out that the electric power board annually pays taxes to the city of Chattanooga and the county of Hamilton, and with respect to the payment of taxes, on page 25 of the report I find this observation:

Many people do not realize the power board is the largest payer of real and property taxes to the city of Chattanooga and Hamilton County. Last year—

Which means 1944, because this is a current report—

Last year $362,000 was paid, amounting to 6.5 percent of the board's income.

Mr. OVERTON. Mr. President, will the Senator yield?

Mr. STEWART. I yield.

Mr. OVERTON. If the same lines and accessories employed in the distribution of power were in the hands of a private corporation, how much would the tax yield be?

Mr. STEWART. I am not able to answer that question, because I do not have the figures before me. I do not remember what the appraised value of the Tennessee Electric Power Co. system was in the year 1938, when it was sold to the Electric Board of the City of Chattanooga, but I made the statement the other day, and it is included in the report, that the power company's distribution system was sold to the electric power board for $10,850,000. That was during the latter part of the year 1939. There has been therefore more than six full years' operation by the power board, and in that period the power board has paid taxes each year, and has earned in excess of $16,000,000. Within those 6 years they have actually earned and paid for the distribution system which they purchased in 1939 and have earned in addition to that nearly $6,000,000.

I shall be glad to undertake to procure for the Senator, if he is interested in them, comparative figures respecting tax valuations. I cannot say what the tax valuation would be if the power distribution system were still owned by the Tennessee Electric Power Co. or any other private power company. But I can procure for the Senator the figures at which the power distribution system, when privately owned in 1939, the year it was sold, was appraised, and can tell him, of course, as a matter of computation what was paid by way of taxes.

Mr. OVERTON. Assuming $10,000,000 purchase price represented the actual value for which the property in private hands should be assessed, the tax paid by the TVA would represent about 3 cents on the dollar.

Mr. STEWART. Which would be just about correct, I think. I imagine there would not be a great deal of difference in taxes. I do not want to make a statement which is not correct, but I think the valuation is $3 or $3.50 per $100. At any rate, I shall be glad to place the figures in the RECORD. It is an exceedingly interesting comparison to make. It is interesting to study the difference in the cost of power.

In this connection I should like to call attention to some figures which were placed in the CONGRESSIONAL RECORD on April 16 of this year by the Honorable JOHN RANKIN, of Mississippi. The figures appear on several pages of the RECORD, beginning on page 3344 and appearing on page 3345, page 3346, and page 3347. The figures represent a break-down of different States, showing the amount of kilowatt-hours of power consumed in each State for the year 1944, and the amount paid for electricity in each particular State. This was done by Representative RANKIN to show how much cheaper public power is than power distributed by private companies. He therefore refers to the figures shown in States which do not have public power systems as an overcharge. Whether that is a correct expression or not, should like to call attention to these figures in the CONGRESSIONAL RECORD so they might be studied by those interested, in connection with the report of the Chattanooga Electric Power Board, which, it has been agreed, shall be published in the RECORD as a part of my remarks.

I want to pay tribute to Mr. S. R. Finley, who is general superintendent of this company. I forgot to mention his name when I spoke of the subject the other day. He is one of the most capable men of whom I know. He has contributed his part along with the members of the board to the operation of the Electric Power Board of Chattanooga, which has been conducted, as I said the other day, in the finest and most businesslike fashion. As I said then, and I should like to repeat, I think this report is one of the best accounts of stewardship that it has been my privilege to read.

EXHIBIT A

SIXTH ANNUAL REPORT OF THE ELECTRIC POWER BOARD OF CHATTANOOGA

ELECTRIC POWER BOARD,
Chattanooga, Tenn., October 6, 1945.

To the Board of Mayor and Commissioners, City of Chattanooga, Chattanooga, Tenn.

GENTLEMEN: In accordance with the requirements of chapter 455, section 12, Private Acts of 1935, amending the charter of the city of Chattanooga, the Electric Power Board of Chattanooga is submitting herewith a statement showing the operations and financial conditions of the electric distribution system for the fiscal year ended June 30, 1945. This statement has been prepared by Arthur Andersen & Co., a nationally recognized auditing firm.

At the end of the fiscal year the board was serving 47,528 customers, an increase of 1,645 over the same period last year. Sales of electricity during the fiscal year totaled 527,194,000 kilowatt-hours, a decrease of approximately 19,000,000 kilowatt-hours over the previous year. Residential kilowatt-hour sales showed an increase of 6 percent, commercial and small-power sales an increase of 8 percent, industrial and large-power sales a decrease of 7 percent. The basic TVA rates, without surcharge, were in effect during the year. The average income of 0.9 cent per kilowatt-hour sold is in contrast to the average cost of 1.7 cents per kilowatt-hour for all sales in 1938, the last full year of private ownership of the electric distribution system which the board purchased.

During the year $280,000 of revenue bonds bearing 2¾-percent interest came due and were retired. Payments in lieu of taxes to the city, county, and other taxing units totaled $361,800.

With the approaching availability of materials and manpower, much needed renewals and replacements of depreciated lines and equipment, for which funds have been accumulated, can be begun. Also, many extensions of the board's lines within its service area to serve approximately 8,000 unserved residents can, likewise, be constructed from funds which the board has accumulated for this purpose.

Savings in electricity costs to the Chattanooga area, based on the average rate charged in 1938, amounted during the last fiscal year to $3,025,763. This makes total savings to electricity users in the board's 6 years of operation of $16,170,045, greatly exceeding the $10,850,000 paid for the system by the board.

Your very truly,

L. J. WILHOITE,
Chairman.

ATLANTA, GA., *July 27, 1945.*

To the Electric Power Board of Chattanooga, Chattanooga, Tenn.:

We have examined the balance sheet of Electric Power Board of Chattanooga as of June 30, 1945, and the statement of net revenues and appropriations thereof for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the board and, without making a detailed audit of the transactions, have examined or tested accounting records of the Board and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Long-term debt outstanding at June 30, 1945 (for which there are no trustees) was confirmed by direct correspondence with the paying agent.

In our opinion, the accompanying balance sheet and related statement of net revenues and appropriations thereof present fairly the position of Electric Power Board of Chattanooga at June 30, 1945, and the results of its operations and appropriations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSON & CO.

Statement of net revenues and appropriations thereof for the year ended June 30, 1945

Operating revenues:	
Sales of electric energy:	
Residential	$1,746,581.05
Commercial	602,719.96
Industrial	2,349,697.18
Street lighting	72,838.63
	4,771,836.82
Other electric revenues	75,906.14
Total operating revenues	4,847,742.96
Operating expenses and taxes:	
Operation:	
Power purchased from Tennessee Valley Authority	2,068,618.90
Other operation expenses	801,995.39
	2,870,614.29
Maintenance	163,294.11
Provision for depreciation	380,190.04
Provision for amortization of electric plant acquisition adjustments (see note 1 to balance sheet)	335,955.00
Provision for tax equivalents	361,800.00
Total operating expenses and taxes	4,111,853.44
Net operating revenues	735,889.52

Other revenue:		
Interest on bank certificates of deposit and U. S. Government securities	$15,263.80	
Net revenues before revenue deductions	751,153.32	
Revenue deductions:		
Interest on long-term debt	$279,550.00	
Other interest charges	6,700.33	
Total revenue deductions	286,250.33	
Net revenues	464,902.99	
Appropriations of net revenues:		
For additions and extensions	$400,000.00	
Unappropriated net revenues	64,902.99	

Balance sheet, June 30, 1945

ASSETS

Electric plant—at cost:			
Plant purchased (acquisition adjustments in connection therewith estimated by the management at approximately $5,600,000—see note 1), less subsequent retirements		$9,996,999.29	
Construction additions (net)		6,007,613.41	
			$16,004,612.70
Sinking and other segregated funds:			
Particulars	*U. S. Government securities, at cost*	*Cash, including bank certificates of deposit*	
Funds required under bond ordinance (note 2):			
Bond fund		$524,288.75	
Renewal and replacement fund	$500,000.00	200,838.22	
Funds authorized by the board:			
Fund for additions and extensions	400,000.00	229,964.86	
Reserve fund for possible storm damage, etc.		90,000.00	
	900,000.00	1,145,191.83	2,045,191.83
Current assets:			
Cash		$435,107.25	
Working funds		8,223.25	
U. S. Government securities, at cost		200,000.00	
Bank certificate of deposit		100,000.00	
Receivables:			
Customers' service	$260,531.88		
Other (including $14,390.07 merchandise accounts)	26,682.08		
Accrued utility revenues	186,928.36		
	474,142.32		
Less reserve for uncollectible accounts	8,750.88		
		465,391.44	
Materials and supplies, at average cost		178,799.53	
Prepaid insurance and taxes		11,298.75	
			1,378,820.22
Deferred debits:			
Leasehold improvements, in process of amortization			21,728.25
Total			19,450,353.00

LIABILITIES

Long-term debt (see accompanying statement)			$11,990,000.00
Current liabilities (note 2):			
Accounts payable:			
Due Tennessee Valley Authority for power purchased		$179,158.27	
Other accounts payable		30,409.19	
Customers' deposits		116,932.68	
Accrued tax equivalents		182,914.29	
Accrued interest:			
On long-term debt	$139,775.00		
Less amount deposited for payment of interest due July 1, 1945	139,775.00		
Other interest		2,625.91	
Miscellaneous current liabilities		29,338.20	
			541,377.94
Deferred credits: Customers' advances for construction			24,427.15
Reserves:			
Depreciation accumulated since date of acquisition		$1,412,153.69	
Amortization of electric-plant acquisition adjustments (note 1)		1,834,388.75	
Possible storm damage, etc.		90,000.00	
			3,336,542.44
Contributions in aid of construction			54,732.08
Capital contributed:			
Federal grant			1,705,997.24
Accumulated net revenues:	*Appropriated*	*Unappropriated*	
Balance, June 30, 1944	$1,097,711.98	$234,661.18	
Net revenues for the year ended June 30, 1945	400,000.00	64,902.99	
Balance, June 30, 1945	1,497,711.98	299,564.17	
			1,797,276.15
Total			19,450,353.00

NOTE 1.—Pending reclassification of plant purchased and the determination of the amount of acquisition adjustments (estimated by the management at approximately $5,600,000), the board has provided from net revenues a reserve for amortization of electric plant acquisition adjustments in amounts equivalent to the annual deposits made to the bond fund for redemption of bonds.

NOTE 2.—During the year ended June 30, 1946, the board is required (a) to deposit in the bond fund the sum of $346,185 plus interest requirements ($271,850) on long-term debt and (b) to deposit semiannually in the renewal and replacement fund the sum of $150,000 plus a minimum of 1½ percent of the net additions to plant from date of acquisition to dates of deposit.

Statement of long-term debt, June 30, 1945

Bonds representing general obligations of the city of Chattanooga: Electric power bonds of the city of Chattanooga, issue No. 1, maturing serially from 1948 to 1958, interest on $70,000 at 4¼ percent and on $30,000 at 4 percent	$100,000.00
Bonds payable solely from revenues of the electric power board:	
Electric power revenue bonds of the city of Chattanooga, series A, maturing serially from 1945 to 1959, interest at 2¾ percent	6,130,000.00
Less—Amount deposited for payment of bonds maturing July 1, 1945	280,000.00
	5,850,000.00
Electric power refunding revenue bonds of the city of Chattanooga, series AA, maturing serially from 1960 to 1969, interest on $2,450,000 at 2 percent, on $1,580,000 at 1¾ percent and on $2,010,000 at 1½ percent	6,040,000.00
Total	$11,990,000.00

The series AA bonds are callable prior to maturity at their principal amount plus redemption premiums; the other issues of bonds are not callable prior to their respective maturities.

THE ELECTRIC POWER BOARD OF CHATTANOOGA—HOW IT CAME TO BE, THE SERVICES IT PERFORMS, WHERE IT GETS ITS INCOME, HOW THAT INCOME IS SPENT

Homes, business concerns, and factories totaling nearly 50,000 each day use electric power board service—a snap of the switch for lights—an automatic switch starts a motor—in hundreds of ways electricity from the electric power board's system flows through thousands of miles of wires and cables to bring this service.

How did the people of Chattanooga secure ownership and control of the power system? The decision to do so was made at an election held March 12, 1935. After an intense campaign in which there was widespread interest, an overwhelming vote of 19,000 for, to 8,000 against, was cast by Chattanooga's citizens on the question of acquiring an electric distribution system.

On April 15, 1935, this action by the voters was confirmed by legislation amending the city charter in such a manner as to set up the electric power board and define its duties and responsibilities. Five local citizens were named as its members, and the board has now completed 10 years of existence.

The power board was given the responsibility of acquiring and operating the power system. When board vacancies occurred they were to be filled by vote of the remaining members, subject to confirmation by the city's mayor and board of commissioners. Through this method it was believed that business operation free from political handicaps could best be obtained.

It was known, of course, that many of the difficulties of publicly owned power systems stem from political interference, that often public employees are selected upon a basis of whom or for what they vote and not because of efficiency and experience. Chattanooga did not want a politically operated power system. What Chattanooga wanted was a publicly owned power system operated upon sound business principles. It was not to be in politics. Upon this basis it was believed that good citizens, actuated by a sense of public service, could be secured to serve upon the board.

On July 12, 1937, the construction of a publicly owned power system was begun. On August 15, 1939, the privately owned power system was purchased from the Tennessee Electric Power Co. for $10,850,000. The portion of the competing system then completed was added to the system purchased and integrated into one unit.

Ten years of the board's existence have now passed and this description has been prepared to show the service of Chattanooga's electric power board—where it gets its electric power, how it is delivered to customers, the rates that are charged, the services performed, and the board's financial condition.

Throughout the watershed of the Tennessee River, TVA is directing the operation of 27 important dams. These dams store and conserve water, and as one result of their operations a great amount of hydroelectric

power is produced. TVA also operates five large steam-power stations. The TVA power plants are joined together by high-voltage power lines and from this system the Electric Power Board of Chattanooga secures its entire power supply.

The board is TVA's second largest municipal purchaser of electricity. Last year the power board paid TVA over $2,000,000 for electricity. Besides Chattanooga, over 130 other municipalities and rural cooperatives in the Tennessee Valley purchase electricity from TVA.

Six high-voltage lines connect the power-board system to TVA sources of power. A 30-year contract fixes the prices and conditions under which power is to be furnished. TVA last year produced about 12,000,000,000 kilowatt-hours. Chattanooga's power board purchased about 5 percent of this total.

These six high lines bringing power from TVA are widely separated, follow different routes, so that weather conditions may least affect them. Any three of them can safely carry Chattanooga's electric requirements in an emergency. All are constantly patrolled and inspected to insure continuous service. As the load grows other lines will be built.

Now, unlike food, soap, and other commodities, electricity cannot be delivered in bulk. It cannot be stored on the pantry shelf until need for its use arises. Although it is energy to do useful work, it is more nearly a service—to be supplied as needed—at whatever hour, day or night, and in the quantity needed. The instant it is needed electricity must be made and delivered at the point of usage.

At the moment an electric light is snapped on or an eye on the stove is turned on, then at that moment back at some power station (say Chickamauga Dam) that much electricity must be made. Many miles of wires deliver it with the speed of light—over 186,000 miles per second—to the point of use. Just that much electricity continues to be made until it is turned off. Then no more is made until again needed.

Most of Chattanooga's electricity is made by the energy of falling water turning a waterwheel to which is attached an electric generator. At Chickamauga Dam, where most of Chattanooga's electricity is generated, some 50,000,000 tons of water are run through the water turbines each day. There it takes about 800 gallons of water to produce the electricity required to burn a 100-watt bulb 1 hour; 8,000 gallons of water to supply the electricity to heat a 1,000-watt iron for an hour's ironing.

The Chattanooga Electric Power Board supplied its customers last year over 600,000,000 kilowatt-hours which required 5,000,000,000 gallons of water flowing from Chickamauga Lake to produce it. The average Chattanooga home used 2,500 kilowatt-hours last year. This required 20,000,000 gallons of water flowing from the lake to produce it. Thus, the electricity used in Chattanooga comes from the force of falling water. It is made by using this nature-created energy for mankind without destroying the water.

We have said electricity is a service and not a commodity. It is—and yet there is a unit of measurement, just like a gallon of water, or a bushel of apples. This unit of electricity is the kilowatt-hour or the use of 1 kilowatt of electricity for 1 hour—a thousand watts' use for 1 hour, or 100 watts' use for 10 hours, or 50 watts' use for 20 hours. Kilowatt-hours are what the electric meter records.

The electric meters of the power board are read once each month. The difference between monthly readings shows the quantity of electricity which has been used. Any user can read his electric meter just as accurately as can the power board meter reader. Each meter has four clock-face dials—reading from zero to nine. The dials are read from left to right and the dial reading is the number just behind the hand.

For greater convenience to customers and efficiency of operation, meters are read once each month. Meter readers each read about 300 meters per day. If all meters were read upon the same day each month it would take 150 meter readers to do it. Upon each of 21 days per month about 2,100 meters are read, 2,100 bills are made out and mailed, and 10 days after mailing 2,100 bills become due and payable. Thus, the minimum number of employees are required for this work and a minimum of congestion at the board's bill-paying office is assured.

Any person can figure his bill out just as easily as do the board's billing clerks. Upon the bill are shown the present and previous month's reading and the difference, or number of kilowatt-hours used in the period. The residential monthly rates are—

First 50 kilowatt-hours per month, 3 cents each.

Next 150 kilowatt-hours per month, 2 cents each.

Next 200 kilowatt-hours per month, 1 cent each.

Next 1,000 kilowatt-hours per month, 0.4 cent each.

Over 1,400 kilowatt-hours per month, 0.75 cent each.

The difference in readings of the meter from the 6th of last month to the 6th of this month shows 368, or 368 kilowatt-hours used. Now to figure the bill:

First 50 kilowatt-hours, at 3 cents	$1.50
Next 150 kilowatt-hours, at 2 cents	3.00
Next 168 kilowatt-hours, at 1 cent	1.68
Total, 368 kilowatt-hours	6.18

Thus, the total bill for 368 kilowatt-hours is $6.18.

Now we have just seen 368 kilowatt-hours give a bill of $6.18. Suppose twice that much had been used, or 736 kilowatt-hours. Many homes do use this much. The next 32 kilowatt-hours would have been at 1 cent each, or 32 cents, leaving 334 kilowatt-hours at four-tenths cent each, or $1.34. Thus, the extra 368 kilowatt-hours cost only $1.66 more—or the whole bill for 736 kilowatt-hours is $7.84. This shows how the more one uses electricity, the cheaper it is on power board rates.

The power board has only three electric rates: namely, residential, commercial, and large power. The nature of the place where the current is used determines its class of rate. All residences are upon the same rate. Commercial or industrial users of a small quantity are upon the commercial rate. Large industrial or large commercial use is upon the large power rate. Thus, there is no discrimination in billing to customers of the same classification. This is a feature of Chattanooga's public-power operation. The rate for each class of customer has been determined so each classification, and each customer in that class, bears their fair share of the cost of the electric service they use.

Customers' electric bills may be paid either net or gross. There is no discount. If not paid within 10 days from date of bill they are payable at the gross rate, which is 10 percent higher. By his own selection of the time of payment the customer determines whether to pay the bill at the net or gross rate. If there were not this incentive to pay at the net rate, many bills would entail added collection expense, thus increasing the cost of furnishing electricity—with probable higher rates as an ultimate result.

Furnishing electric service is a business requiring experienced men and women to perform the many duties required. Chattanooga's electric power board has about 400 permanent employees. Many of these are experienced craftsmen, engineers, accountants, and people who have become proficient in their duties through training and years of experience.

The board's service lines extend over an area of many miles. They go from Graysville (near Dayton) on the north, to Flintstone, down in Georgia, on the south; from Hales Bar Dam in the southwest to beyond Ooltewah in the east. Nearly 4,000 of the board's customers are in Georgia, and about 50 percent of the total are outside of the city limits. Over 9,000 new customers have been added during the board's years of operation, and extension of lines now planned will add over 3,000 more.

To serve this area the board has 77 miles of high-voltage lines. These bring electricity from the TVA System and interchange it between the board's six high-voltage substations. There it is stepped down from 44,000 volts to lower voltages. Four of these stations were bought from TEPCO and two modern ones, such as the College Hill Station, constructed by the board.

At these stations operators are constantly on duty 24 hours a day, 7 days a week. By means of meters and switches they observe and regulate the flow of current, close switches which may be opened by lightning, and in many other ways watch over and guard Chattanooga's electric service.

Radiating from these six high-voltage substations are 215 miles of 12,000-volt lines serving 53 distributing stations and dozens of large power users. These stations are for the most part automatic in operation, are visited frequently by patrolmen. Through them pass large quantities of electricity.

Many large power users require an individual station for their exclusive use. Chattanooga's cheap electric power allows widespread use of it in industry, thus providing more production, more jobs, and a wider variety of manufactured products. In future years Chattanooga's publicly owned electricity, cheap to use, will be a factor favorable to still more industry, more production of industrial products, more jobs.

The lines you see along many Chattanooga streets, in alleys, or along the highways are distribution lines. Carrying electricity at lower voltages, usually 4,000 volts, they serve transformers which in turn furnish secondary lines with the 115- or 230-volt electricity used in Chattanooga homes. Twenty-five or 30 customers may be served by 1 transformer, from secondary lines, by means of the service wires which terminate at the customer's house.

Control over all lines is maintained by the load dispatchers of the board. They supervise and route the troublemen who are stationed in various parts of the area. Communication is by telephone or short-wave radio, with which all trouble trucks are equipped. This use of radio saves much time in case of a service interruption. Most customer service interruptions are caused by something on the customer's premises—blowing the main fuses. Fuses blown are replaced at no charge by the board.

All lines, substations, and facilities of the board are designed by the board's engineering department. Constant study is carried on to make use of the latest available equipment. Safe construction is carefully kept in mind to avoid accidents to board employees, and assure the most reliable and efficient service at the lowest cost. Only the highest grade materials are used.

Construction of new lines and facilities, and rebuilding of old lines, is carried out, except in rare instances, by the board's line crews and electricians. These skilled men employ the latest tools, are schooled in the safest methods, and in case of severe storm damage to lines and equipment, often work long hours far into the night restoring service.

All incoming service calls are received by the board's service department and routed for prompt handling to the various departments concerned with the service. Telephone operators are on duty 24 hours a day with 14 incoming trunk lines. Transportation facilities of the board include over 90 trucks and automobiles which travel nearly a million miles a year. A completely equipped garage and auto repair station is maintained to service them.

These service facilities are maintained with others in the board's new and modern service building at Oak and Greenwood Streets, just beyond Warner Park. Erected in 1940 at a cost of over $350,000, this service building is a model of efficiency and arrangement for electric-power service. It has been visited by officials of many private and publicly owned systems.

All administrative, customers'-bill-paying, accounting, and sales-promotion activities are housed in the board's office building, at Sixth and Market Streets, erected by the board in 1941 at a cost of $360,000. Here the most modern and convenient bill-paying and customer-contact arrangements are carried out. It is open for business from 8 a. m. to 5 p. m. each week day. A night depository is available for payment of bills after office hours.

Customer-contact clerks are on hand, with comfortable seating facilities for customers, to handle new applications for service, customers' final bills upon terminations of service by moves, rendering duplicate bills, and receiving inquiries and service suggestions. Here over 3,000 duplicate bills are prepared each month for customers who have lost their bills.

Chattanooga's electric-power board does not sell electrical appliances, but it does feel an obligation to its customers, for the benefits derived by them, to further the sale of appliances. All sales are made by dealers, with the board carrying on an educational and promotional service, particularly upon newly developed electrical appliances.

A model electric kitchen is available for demonstration purposes. The board's home-economist staff prepares recipes, teaches cooking and canning classes, conducts food-utilization courses. They are available at no charge for home calls. A complete five-room electric home in the administration building shows the many home uses for electric service. Industrial, commercial, and residential engineers consult with and give electrical advice to the board's many customers. No charge is made for this service.

The board's show windows have won national acclaim for beauty and attractiveness and have provided many interesting displays of educational value in the use and availability of electrical appliances. During the war years these windows, together with all other space available in the administration building, have been devoted to public purposes directly associated with the war effort. A complete appliance repair department for service to the board's customers is maintained. Thirty-five repairmen service appliances at cost—caring for over 35,000 customers' needs each year. To do this and give prompt service requires a large stock of spare parts.

Keeping track of its operations, paying its obligations, pay rolls, and constantly auditing its finances is the board's general accounting office. Here over 21,000 checks and vouchers are issued annually, financial and cost statements prepared. All records are kept according to the best standard practices for electrical utilities. As an added safeguard, the board's books are audited annually by an outside firm of nationally recognized public accountants. All legal obligations are carefully checked by the board's legal counsel.

Power board employees are selected strictly upon a basis of experience and qualifications to perform the duties assigned, and their services are continued upon the same basis. As Federal social-security provisions are not applicable to city employees, the board has placed in effect a moderate pension plan toward the cost of which employees contribute a fair share. In addition there is an employees' group life insurance, sickness and hospitalization plan. About 200 of the board's craft employees are members of an A. F. of L. union with which the board has an agreement.

The electric-power board's customers are its only source of income. Those using electricity for residential use supply 36 percent of the board's income; those using it for commercial use supply about 12 percent, and the large power users supply 49 percent. The remaining 3 percent comes from street-lighting sales, repairing appliances, and from miscellaneous services to electricity users.

Chattanooga is an industrial city and large power users take a major portion of the board's sales of electric current—74 percent of the total kilowatt-hours sold. Its cheap rates provide an opportunity for extensive home use, and 20 percent of the kilowatt-hours sold go for this use. Commercial users take 5 percent and street lighting the remaining 1 percent of total kilowatt-hours sold.

The board's power purchases requires 42 percent of the board's total income. The expenses of operation and maintenance take 20 percent of the income. They account for the board's largest items of expense.

However, electrical equipment wears out, is destroyed by storms and must be replaced constantly. Likewise, new uses by customers require additions to the board's system, and extensions to serve new customers are constantly being made. These renewal and replacement expenses require 8 percent of the board's income, and additions and extensions 6 percent—making 14 percent required for these items.

The power board has outstanding $11,990,000 of the bonds issued when the system was purchased. Each year interest must be paid upon those outstanding and the ones due for retirement paid off. Since 1939, the sum of $1,834,388 has been used to retire bonds. An amount equal to 16 percent of the board's income has been used to pay interest upon and retire bonds.

Many people do not realize the power board is the largest payer of real and property taxes to the city of Chattanooga and Hamilton County. Last year $362,000 was paid, amounting to 6.5 percent of the board's income.

Publicly owned electricity should be sold so that its cost equals the expense of supplying it. That has been the record with Chattanooga's electric power board. In its 6 years of operation, these expenses have required 98.5 percent of its total income, leaving only 1.5 percent as a surplus, available for unforeseeable needs.

Chattanooga has benefited in many ways from its publicly owned power system. One of the most real has been the reduction in the cost of electricity. Based upon the average rates charged in 1933, the last full year of service by the privately owned company, users of electricity have in 6 years of publicly owned power saved over $16,170,000 in their cost of electric service. All classes of users have benefited. In Chattanooga electricity is cheap—and because of this low cost is widely used.

No record of the electric power board's affairs could be concluded without a mention of electric service's part in the war. Very definitely the board's system and facilities have been a part of every war plant in the Chattanooga area. These plants have depended upon the service to supply their war production needs, and it has never been "too little" or "too late." Nearly 30 percent of the board's employees have entered the armed forces. In all this the board has done no more than its duty.

And now in conclusion—electricity is cheap in Chattanooga. This makes it widely used. In years to come this use will vastly increase and Chattanooga citizens will have the use, at low costs, of the many new appliances which require electric current. It will be the policy of the power board to continue to furnish this service as a "business-managed, taxpaying, publicly owned electric utility."

Electrical appliance and residential usage

(The board does not sell appliances)

Fiscal year—	Volume sold by dealers	Percent of customers using—			Average year kilowatt-hour use per residential customer
		Electric refrigerators	Electric ranges	Electric water heaters	
1939-40	$2,067,078	72.0	41.0	18.0	1,864
1940-41	3,134,416	85.0	48.0	20.0	2,086
1941-42	2,462,326	42.0	52.0	21.0	2,232
1942-43	780,520	91.0	52.0	22.0	2,351
1943-44	103,574	90.0	52.0	22.0	2,434
1944-45	165,801	87.0	51.0	22.0	2,515

Sales of electricity in kilowatt-hours

Fiscal year—	Total	Industrial customers	Commercial customers
1939-40	303,978,000	222,052,000	23,297,000
1940-41	431,914,000	325,992,000	28,228,000
1941-42	519,992,000	402,253,000	28,843,000
1942-43	562,634,000	438,155,000	27,310,000
1943-44	546,100,000	417,279,000	27,471,000
1944-45	527,194,000	390,082,000	29,674,000

Fiscal year—	Residential customers	Street-light customers
1939-40	56,601,000	2,028,000
1940-41	75,061,000	2,633,000
1941-42	86,376,000	2,520,000
1942-43	94,749,000	2,420,000
1943-44	98,879,000	2,471,000
1944-45	104,916,000	2,522,000

Number of customers (end of year)

Fiscal year—	Total	Industrial	Commercial	Residential	Street lights
1939-40	39,942	342	4,615	34,978	7
1940-41	42,234	365	4,696	37,166	7
1941-42	44,899	410	4,688	39,783	9
1942-43	45,264	395	4,495	40,363	11
1943-44	45,883	391	4,619	40,863	10
1944-45	47,528	417	4,808	42,293	10

Operating revenues

Fiscal year—	Total	Industrial customers	Commercial customers
1939-40	$3,166,578.38	$1,449,140.27	$489,639.07
1940-41	4,066,597.47	1,939,462.89	574,578.14
1941-42	4,636,458.38	2,296,209.70	587,818.18
1942-43	4,900,415.36	2,466,151.73	558,635.73
1943-44	4,907,260.17	2,397,825.55	562,951.38
1944-45	4,847,742.96	2,349,697.18	602,719.96

Fiscal year—	Residential customers	Street-light customers	Other revenue
1939-40	$1,053,622.29	$58,361.55	$115,814.20
1940-41	1,338,929.21	71,755.87	141,871.36
1941-42	1,513,361.13	71,824.19	167,209.38
1942-43	1,618,767.00	72,687.24	184,173.66
1943-44	1,663,583.94	72,754.36	210,144.94
1944-45	1,746,581.05	72,838.63	75,906.14

Average income per kilowatt-hour sold

Fiscal year—	Total	Industrial customers	Commercial customers	Residential customers	Street light customers
1939-40	$0.0100	$0.007	$0.02	$0.019	$0.03
1940-41	.0090	.006	.02	.018	.03
1941-42	.0086	.006	.02	.018	.03
1942-43	.0084	.006	.02	.017	.03
1943-44	.0086	.006	.02	.017	.03
1944-45	.0090	.006	.02	.016	.03

Purchases of power (all from TVA system)

Fiscal year—	Maximum kilowatt demand	Kilowatt-hours	Percent annual load factor
1939-40	71,187	338,096,000	54.2
1940-41	87,341	471,430,000	61.6
1941-42	98,532	566,659,000	65.7
1942-43	102,470	617,870,000	68.8
1943-44	100,937	600,590,000	67.7
1944-45	107,149	579,963,000	61.8

Customer savings in electricity costs

[Based on average rate per kilowatt-hour in 1938]

Fiscal year—	Total	Industrial customers	Commercial customers	Residential customers	Street-light customers
1939-40	$1,417,367	$805,661	$180,932	$413,188	$17,586
1940-41	2,379,735	1,450,862	258,143	642,684	28,046
1941-42	2,940,888	1,887,217	263,041	766,932	23,698
1942-43	3,249,216	2,103,144	245,786	881,167	19,119
1943-44	3,157,076	1,941,877	247,442	946,822	20,935
1944-45	3,025,763	1,707,155	272,663	1,023,201	22,744
Total	16,170,045	9,895,916	1,468,007	4,673,994	132,132

Employee data

Fiscal year—	Number employed	Average monthly salary— Male	Average monthly salary— Female	Injuries; number lost time accidents	Accidents; number auto accidents
1939-40	417	$156.06	$94.31	16	40
1940-41	422	159.17	93.97	20	63
1941-42	403	172.16	104.62	16	41
1942-43	386	187.35	117.41	8	33
1943-44	385	196.33	123.09	10	20
1944-45	386	206.76	128.01	14	15

ELECTRIC POWER BOARD RATE SCHEDULES

Residential

Alternating-current service at approximately 60 cycles, 110 or 220 volts, either single-phase, two-wire or three-wire; or, three-phase, three-wire or four-wire, as may be required by board.

Rate

First 50 kilowatt-hours consumed per month at 3 cents per kilowatt-hour.

Next 150 kilowatt-hours consumed per month at 2 cents per kilowatt-hour.

Next 200 kilowatt-hours consumed per month at 1 cent per kilowatt-hour.

Next 1,000 kilowatt-hours consumed per month at 0.4 cent per kilowatt-hour.

Excess over 1,400 kilowatt-hours consumed per month at 0.75 cent per kilowatt-hour.

Minimum monthly bill: $0.75 per meter.

Commercial

Alternating-current service from the local distribution system at approximately 60 cycles, 110 or 220 volts; either single-phase, two-wire or three-wire; or three-phase, three-wire or four-wire, as may be required by board. (Customers with demands of over 20 kilowatts and/or using over 4,000 kilowatt-hours per month billed on industrial rate.)

Rate

First 250 kilowatt-hours per month, at 3 cents per kilowatt-hour.

Next 750 kilowatt-hours per month, at 2 cents per kilowatt-hour.

Next 1,000 kilowatt-hours per month, at 1 cent per kilowatt-hour.

Excess over 2,000 kilowatt-hours per month, at 0.8 cent per kilowatt-hour

Industrial

Character of service: Alternating current, three-phase, 60 cycles. Voltage supplied will be at the discretion of board and will be determined by the voltage available from distribution lines in the vicinity and/or other conditions.

Rate

Demand charge (based on 30-minute demand): $1 per kilowatt of demand per month, first 1,000 kilowatts; 90 cents per kilowatt of demand per month, over 1,000 kilowatts.

Energy charge:

First 10,000 kilowatt-hours consumed per month, at 10 mills per kilowatt-hour.

Next 25,000 kilowatt-hours consumed per month, at 6 mills per kilowatt-hour.

Next 65,000 kilowatt-hours consumed per month, at 4 mills per kilowatt-hour.

Next 400,000 kilowatt-hours consumed per month, at 3 mills per kilowatt-hour.

Over 500,000 kilowatt-hours consumed per month, at 2.5 mills per kilowatt-hour.

Charge for energy in excess of 360 times the demand shall be subject to a reduction of 0.5 mill per kilowatt-hour from the otherwise applicable rate.

THE REVENUE ACT OF 1945

The Senate resumed the consideration of the bill (H. R. 4309) to reduce taxation, and for other purposes.

The PRESIDING OFFICER. The question is on the adoption of the first committee amendment, which has already been read, but which will again be stated.

The CHIEF CLERK. On page 1, line 7, after the word "amendment", it is proposed to insert "or repeal."

The amendment was agreed to.

The next amendment was, on page 1, in line 8, after the word "to", to insert "or repeal of."

The amendment was agreed to.

The next amendment was, on page 2, after line 9, to insert:

(a) Reduction in normal tax on individuals: Section 11 (relating to the normal tax on individuals) is amended to read as follows:

"SEC. 11. Normal tax on individuals.

"There shall be levied, collected, and paid for each taxable year upon the net income of every individual a normal tax determined by computing a tentative normal tax of 3 percent of the amount of the net income in excess of the credits against net income provided in section 25, and by reducing such tentative normal tax by 5 percent thereof. For alternative tax which may be elected if adjusted gross income is less than $5,000, see Supplement T."

The amendment was agreed to.

The next amendment was, on page 2, after line 21, to strike out:

(a) In general: Section 12 (b) (relating to the rate of surtax on individuals) is amended to read as follows:

"(b) Rates of surtax: There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual the surtax shown in the following table:

"If the surtax net income is:	The surtax shall be:
Not over $2,000	16% of the surtax net income.
Over $2,000 but not over $4,000.	$320, plus 18% of excess over $2,000.
Over $4,000 but not over $6,000.	$680, plus 22% of excess over $4,000.
Over $6,000 but not over $8,000.	$1,120, plus 26% of excess over $6,000.
Over $8,000 but not over $10,000.	$1,640, plus 30% of excess over $8,000.
Over $10,000 but not over $12,000.	$2,240, plus 34% of excess over $10,000.
Over $12,000 but not over $14,000.	$2,920, plus 39% of excess over $12,000.
Over $14,000 but not over $16,000.	$3,700, plus 43% of excess over $14,000.
Over $16,000 but not over $18,000.	$4,560, plus 46% of excess over $16,000.
Over $18,000 but not over $20,000.	$5,480, plus 49% of excess over $18,000.
Over $20,000 but not over $22,000.	$6,460, plus 50% of excess over $20,000.
Over $22,000 but not over $26,000.	$7,460, plus 53% of excess over $22,000.
Over $26,000 but not over $32,000.	$9,580, plus 55% of excess over $26,000.
Over $32,000 but not over $38,000.	$12,880, plus 58% of excess over $32,000.
Over $38,000 but not over $44,000.	$16,360, plus 62% of excess over $38,000.
Over $44,000 but not over $50,000.	$20,080, plus 65% of excess over $44,000.
Over $50,000 but not over $60,000.	$23,980, plus 67% of excess over $50,000.
Over $60,000 but not over $70,000.	$30,680, plus 70% of excess over $60,000.
Over $70,000 but not over $80,000.	$37,680, plus 72% of excess over $70,000.
Over $80,000 but not over $90,000.	$44,880, plus 76% of excess over $80,000.
Over $90,000 but not over $100,000.	$52,480, plus 78% of excess over $90,000.
Over $100,000 but not over $150,000.	$60,280, plus 79½% of excess over $100,000.
Over $150,000 but not over $200,000.	$100,030, plus 81% of excess over $150,000.
Over $200,000	$140,530, plus 81½% of excess over $200,000."

And in lieu thereof to insert the following:

(b) Reduction in surtax on individuals: Section 12 (b) (relating to the rate of surtax on individuals) is amended to read as follows:

"(b) Rates of surtax: There shall be levied, collected, and paid for each taxable year upon the surtax net income of every individual a surtax determined by computing a tentative surtax under the following table, and by reducing such tentative surtax by 5 percent thereof:

"If the surtax net income is:	The tentative surtax shall be:
Not over $2,000	17% of the surtax net income.
Over $2,000 but not over $4,000.	$340, plus 19% of excess over $2,000.
Over $4,000 but not over $6,000.	$720, plus 23% of excess over $4,000.
Over $6,000 but not over $8,000.	$1,180, plus 27% of excess over $6,000.
Over $8,000 but not over $10,000.	$1,720, plus 31% of excess over $8,000.
Over $10,000 but not over $12,000.	$2,340, plus 35% of excess over $10,000.
Over $12,000 but not over $14,000.	$3,040, plus 40% of excess over $12,000.
Over $14,000 but not over $16,000.	$3,840, plus 44% of excess over $14,000.
Over $16,000 but not over $18,000.	$4,720, plus 47% of excess over $16,000.
Over $18,000 but not over $20,000.	$5,660, plus 50% of excess over $18,000.
Over $20,000 but not over $22,000.	$6,660, plus 53% of excess over $20,000.

"If the surtax net income is:	The tentative surtax shall be:
Over $22,000 but not over $26,000.	$7,720, plus 56% of excess over $22,000.
Over $26,000 but not over $32,000.	$9,960, plus 59% of excess over $26,000.
Over $32,000 but not over $38,000.	$13,500, plus 62% of excess over $32,000.
Over $38,000 but not over $44,000.	$17,220, plus 66% of excess over $38,000.
Over $44,000 but not over $50,000.	$21,180, plus 69% of excess over $44,000.
Over $50,000 but not over $60,000.	$25,320, plus 72% of excess over $50,000.
Over $60,000 but not over $70,000.	$32,520, plus 75% of excess over $60,000.
Over $70,000 but not over $80,000.	$40,020, plus 78% of excess over $70,000.
Over $80,000 but not over $90,000.	$47,820, plus 81% of excess over $80,000.
Over $90,000 but not over $100,000.	$55,920, plus 84% of excess over $90,000.
"If the surtax net income is:	The tentative surtax shall be:
Over $100,000 but not over $150,000.	$64,320, plus 86% of excess over $100,000.
Over $150,000 but not over $200,000.	$107,320, plus 87% of excess over $150,000.
Over $200,000	$150,820, plus 88% of excess over $200,000."

The amendment was agreed to.

The next amendment was, on page 5, to strike out lines 1 to 4, inclusive, as follows:

(b) Limitation on tax: Section 12 (g) (relating to the 90 percent limitation) is amended by striking out "90 percent" and inserting in lieu thereof "81 percent."

The amendment was agreed to.

The next amendment was, on page 5, after line 4, to insert the following:

(c) Limitation on tax: Section 12 (g) (relating to the 90 percent limitation) is amended by striking out "90 percent" and inserting in lieu thereof "85½ percent."

The amendment was agreed to.

The next amendment was, on page 7, after line 1, to strike out:

(1) Section 11 (relating to the normal tax on individuals) is amended by striking out "section 25 (a)" and inserting in lieu thereof "section 25".

The amendment was agreed to.

The next amendment was, in section 103, "Individuals with adjusted gross incomes of less than $5,000", on page 10, after line 3, to strike out:

If the adjusted gross income is—		And the number of exemptions is—				If the adjusted gross income is—		And the number of exemptions is—							
At least—	But less than—	1	2	3	4 or more	At least—	But less than—	1	2	3	4	5	6	7	8	9 or more
		The tax shall be—						The tax shall be—								
$0	$550	$0	$0	$0	$0	$2,200	$2,225	$283	$188	$93	$0	$0	$0	$0	$0	$0
550	575	1	0	0	0	2,225	2,250	288	193	98	3	0	0	0	0	0
575	600	5	0	0	0	2,250	2,275	292	197	102	7	0	0	0	0	0
600	625	10	0	0	0	2,275	2,300	296	201	106	11	0	0	0	0	0
625	650	14	0	0	0	2,300	2,325	300	205	110	15	0	0	0	0	0
650	675	18	0	0	0	2,325	2,350	305	210	115	20	0	0	0	0	0
675	700	23	0	0	0	2,350	2,375	309	214	119	24	0	0	0	0	0
700	725	27	0	0	0	2,375	2,400	313	218	123	28	0	0	0	0	0
725	750	31	0	0	0	2,400	2,425	318	223	128	33	0	0	0	0	0
750	775	35	0	0	0	2,425	2,450	322	227	132	37	0	0	0	0	0
775	800	40	0	0	0	2,450	2,475	326	231	136	41	0	0	0	0	0
800	825	44	0	0	0	2,475	2,500	330	235	140	45	0	0	0	0	0
825	850	48	0	0	0	2,500	2,525	335	240	145	50	0	0	0	0	0
850	875	52	0	0	0	2,525	2,550	339	244	149	54	0	0	0	0	0
875	900	57	0	0	0	2,550	2,575	343	248	153	58	0	0	0	0	0
900	925	61	0	0	0	2,575	2,600	347	252	157	62	0	0	0	0	0
925	950	65	0	0	0	2,600	2,625	352	257	162	67	0	0	0	0	0
950	975	70	0	0	0	2,625	2,650	356	261	166	71	0	0	0	0	0
975	1,000	74	0	0	0	2,650	2,675	360	265	170	75	0	0	0	0	0
1,000	1,025	78	0	0	0	2,675	2,700	365	270	175	80	0	0	0	0	0
1,025	1,050	82	0	0	0	2,700	2,725	369	274	179	84	0	0	0	0	0
1,050	1,075	87	0	0	0	2,725	2,750	373	278	183	88	0	0	0	0	0
1,075	1,100	91	0	0	0	2,750	2,775	377	282	187	92	0	0	0	0	0
1,100	1,125	95	0	0	0	2,775	2,800	382	287	192	97	2	0	0	0	0
1,125	1,150	100	5	0	0	2,800	2,825	387	291	196	101	6	0	0	0	0
1,150	1,175	104	9	0	0	2,825	2,850	391	295	200	105	10	0	0	0	0
1,175	1,200	108	13	0	0	2,850	2,875	396	299	204	109	14	0	0	0	0
1,200	1,225	112	17	0	0	2,875	2,900	401	304	209	114	19	0	0	0	0
1,225	1,250	117	22	0	0	2,900	2,925	405	308	213	118	23	0	0	0	0
1,250	1,275	121	26	0	0	2,925	2,950	410	312	217	122	27	0	0	0	0
1,275	1,300	125	30	0	0	2,950	2,975	415	317	222	127	32	0	0	0	0
1,300	1,325	129	34	0	0	2,975	3,000	420	321	226	131	36	0	0	0	0
1,325	1,350	134	39	0	0	3,000	3,050	427	327	232	137	42	0	0	0	0
1,350	1,375	138	43	0	0	3,050	3,100	436	336	241	146	51	0	0	0	0
1,375	1,400	142	47	0	0	3,100	3,150	446	344	249	154	59	0	0	0	0
1,400	1,425	147	52	0	0	3,150	3,200	455	353	248	163	68	0	0	0	0
1,425	1,450	151	56	0	0	3,200	3,250	465	361	266	171	76	0	0	0	0
1,450	1,475	155	60	0	0	3,250	3,300	474	370	275	180	85	0	0	0	0
1,475	1,500	159	64	0	0	3,300	3,350	483	379	284	189	94	0	0	0	0
1,500	1,525	164	69	0	0	3,350	3,400	493	388	292	197	102	7	0	0	0
1,525	1,550	168	73	0	0	3,400	3,450	502	397	301	206	111	16	0	0	0
1,550	1,575	172	77	0	0	3,450	3,500	512	407	309	214	119	24	0	0	0
1,575	1,600	176	81	0	0	3,500	3,550	521	416	318	223	128	33	0	0	0
1,600	1,625	181	86	0	0	3,550	3,600	531	426	326	231	136	41	0	0	0
1,625	1,650	185	90	0	0	3,600	3,650	540	435	335	240	145	50	0	0	0
1,650	1,675	189	94	0	0	3,650	3,700	550	445	343	248	153	58	0	0	0
1,675	1,700	194	99	4	0	3,700	3,750	559	454	352	257	162	67	0	0	0
1,700	1,725	198	103	8	0	3,750	3,800	568	463	361	266	171	76	0	0	0
1,725	1,750	202	107	12	0	3,800	3,850	578	473	369	274	179	84	0	0	0
1,750	1,775	206	111	16	0	3,850	3,900	587	482	378	283	188	93	0	0	0
1,775	1,800	211	116	21	0	3,900	3,950	597	492	387	291	196	101	6	0	0
1,800	1,825	215	120	25	0	3,950	4,000	606	501	396	300	205	110	15	0	0
1,825	1,850	219	124	29	0	4,000	4,050	616	511	406	308	213	118	23	0	0
1,850	1,875	223	128	33	0	4,050	4,100	625	520	415	317	222	127	32	0	0
1,875	1,900	228	133	38	0	4,100	4,150	635	530	425	325	230	135	40	0	0
1,900	1,925	232	137	42	0	4,150	4,200	644	539	434	334	239	144	49	0	0
1,925	1,950	236	141	46	0	4,200	4,250	654	549	444	342	247	152	57	0	0
1,950	1,975	241	146	51	0	4,250	4,300	663	558	453	351	256	161	66	0	0
1,975	2,000	245	150	55	0	4,300	4,350	672	567	462	360	265	170	75	0	0
2,000	2,025	249	154	59	0	4,350	4,400	682	577	472	368	273	178	83	0	0
2,025	2,050	253	158	63	0	4,400	4,450	691	586	481	377	282	187	92	0	0
2,050	2,075	258	163	68	0	4,450	4,500	701	596	491	386	290	195	100	5	0
2,075	2,100	262	167	72	0	4,500	4,550	710	605	500	395	299	204	109	14	0
2,100	2,125	266	171	76	0	4,550	4,600	720	615	510	405	307	212	117	22	0
2,125	2,150	271	176	81	0	4,600	4,650	729	624	519	414	316	221	126	31	0
2,150	2,175	275	180	85	0	4,650	4,700	739	634	529	424	324	229	134	39	0
2,175	2,200	279	184	89	0	4,700	4,750	748	643	538	433	333	238	143	48	0
						4,750	4,800	757	652	547	442	342	247	152	57	0
						4,800	4,850	767	662	557	452	350	255	160	65	0
						4,850	4,900	776	671	566	461	359	264	169	74	0
						4,900	4,950	786	681	576	471	367	272	177	82	0
						4,950	5,000	795	690	585	480	376	281	186	91	0

And in lieu thereof to insert the following:

If the adjusted gross income is—		And the number of exemptions is—				If the adjusted gross income is—		And the number of exemptions is—								
At least—	But less than—	1	2	3	4 or more	At least—	But less than—	1	2	3	4	5	6	7	8	9 or more
		The tax shall be—						The tax shall be—								
$0	$550	$0	$0	$0	$0	$2,200	$2,225	$283	$188	$93	$0	$0	$0	$0	$0	$0
550	575	1	0	0	0	2,225	2,250	288	193	98	3	0	0	0	0	0
575	600	5	0	0	0	2,250	2,275	292	197	102	7	0	0	0	0	0
600	625	10	0	0	0	2,275	2,300	296	201	106	11	0	0	0	0	0
625	650	14	0	0	0	2,300	2,325	300	205	110	15	0	0	0	0	0
650	675	18	0	0	0	2,325	2,350	305	210	115	20	0	0	0	0	0
675	700	23	0	0	0	2,350	2,375	309	214	119	24	0	0	0	0	0
700	725	27	0	0	0	2,375	2,400	313	218	123	28	0	0	0	0	0
725	750	31	0	0	0	2,400	2,425	318	223	128	33	0	0	0	0	0
750	775	35	0	0	0	2,425	2,450	322	227	132	37	0	0	0	0	0
775	800	40	0	0	0	2,450	2,475	326	231	136	41	0	0	0	0	0
800	825	44	0	0	0	2,475	2,500	330	235	140	45	0	0	0	0	0
825	850	48	0	0	0	2,500	2,525	335	240	145	50	0	0	0	0	0
850	875	52	0	0	0	2,525	2,550	339	244	149	54	0	0	0	0	0
875	900	57	0	0	0	2,550	2,575	343	248	153	58	0	0	0	0	0
900	925	61	0	0	0	2,575	2,600	347	252	157	62	0	0	0	0	0
925	950	65	0	0	0	2,600	2,625	352	257	162	67	0	0	0	0	0
950	975	70	0	0	0	2,625	2,650	356	261	166	71	0	0	0	0	0
975	1,000	74	0	0	0	2,650	2,675	360	265	170	75	0	0	0	0	0
1,000	1,025	78	0	0	0	2,675	2,700	365	270	175	80	0	0	0	0	0
1,025	1,050	82	0	0	0	2,700	2,725	369	274	179	84	0	0	0	0	0
1,050	1,075	87	0	0	0	2,725	2,750	373	278	183	88	0	0	0	0	0
1,075	1,100	91	0	0	0	2,750	2,775	377	282	187	92	0	0	0	0	0
1,100	1,125	95	0	0	0	2,775	2,800	382	287	192	97	2	0	0	0	0
1,125	1,150	100	5	0	0	2,800	2,825	387	291	196	101	6	0	0	0	0
1,150	1,175	104	9	0	0	2,825	2,850	391	295	200	105	10	0	0	0	0
1,175	1,200	108	13	0	0	2,850	2,875	396	299	204	109	14	0	0	0	0
1,200	1,225	112	17	0	0	2,875	2,900	401	304	209	114	19	0	0	0	0
1,225	1,250	117	22	0	0	2,900	2,925	405	308	213	118	23	0	0	0	0
1,250	1,275	121	26	0	0	2,925	2,950	410	312	217	122	27	0	0	0	0
1,275	1,300	125	30	0	0	2,950	2,975	415	317	222	127	32	0	0	0	0
1,300	1,325	129	34	0	0	2,975	3,000	419	321	226	131	36	0	0	0	0
1,325	1,350	134	39	0	0	3,000	3,050	427	327	232	137	42	0	0	0	0
1,350	1,375	138	43	0	0	3,050	3,100	436	336	241	146	51	0	0	0	0
1,375	1,400	142	47	0	0	3,100	3,150	445	344	249	154	59	0	0	0	0
1,400	1,425	147	52	0	0	3,150	3,200	455	353	258	163	68	0	0	0	0
1,425	1,450	151	56	0	0	3,200	3,250	464	361	266	171	76	0	0	0	0
1,450	1,475	155	60	0	0	3,250	3,300	474	370	275	180	85	0	0	0	0
1,475	1,500	159	64	0	0	3,300	3,350	483	379	284	189	94	0	0	0	0
1,500	1,525	164	69	0	0	3,350	3,400	492	388	292	197	102	7	0	0	0
1,525	1,550	168	73	0	0	3,400	3,450	502	397	301	206	111	16	0	0	0
1,550	1,575	172	77	0	0	3,450	3,500	511	407	309	214	119	24	0	0	0
1,575	1,600	176	81	0	0	3,500	3,550	521	416	318	223	128	33	0	0	0
1,600	1,625	181	86	0	0	3,550	3,600	530	425	326	231	136	41	0	0	0
1,625	1,650	185	90	0	0	3,600	3,650	539	435	335	240	145	50	0	0	0
1,650	1,675	189	94	0	0	3,650	3,700	549	444	343	248	153	58	0	0	0
1,675	1,700	194	99	4	0	3,700	3,750	558	454	352	257	162	67	0	0	0
1,700	1,725	198	103	8	0	3,750	3,800	568	463	361	266	171	76	0	0	0
1,725	1,750	202	107	12	0	3,800	3,850	577	472	369	274	179	84	0	0	0
1,750	1,775	206	111	16	0	3,850	3,900	586	482	378	283	188	93	0	0	0
1,775	1,800	211	116	21	0	3,900	3,950	596	491	387	291	196	101	6	0	0
1,800	1,825	215	120	25	0	3,950	4,000	605	501	396	300	205	110	15	0	0
1,825	1,850	219	124	29	0	4,000	4,050	615	510	406	308	213	118	23	0	0
1,850	1,875	223	128	33	0	4,050	4,100	624	520	415	317	222	127	32	0	0
1,875	1,900	228	133	38	0	4,100	4,150	633	529	424	325	230	135	40	0	0
1,900	1,925	232	137	42	0	4,150	4,200	643	538	434	334	239	144	49	0	0
1,925	1,950	236	141	46	0	4,200	4,250	652	548	443	342	247	152	57	0	0
1,950	1,975	241	146	51	0	4,250	4,300	662	557	453	351	256	161	66	0	0
1,975	2,000	245	150	55	0	4,300	4,350	671	567	462	360	265	170	75	0	0
2,000	2,025	249	154	59	0	4,350	4,400	680	576	471	368	273	178	83	0	0
2,025	2,050	253	158	63	0	4,400	4,450	690	585	481	377	282	187	92	0	0
2,050	2,075	258	163	68	0	4,450	4,500	699	595	490	386	290	195	100	5	0
2,075	2,100	262	167	72	0	4,500	4,550	709	604	500	395	299	204	109	14	0
2,100	2,125	266	171	76	0	4,550	4,600	718	614	509	405	307	212	117	22	0
2,125	2,150	271	176	81	0	4,600	4,650	727	623	518	414	316	221	126	31	0
2,150	2,175	275	180	85	0	4,650	4,700	737	632	528	423	324	229	134	39	0
2,175	2,200	279	184	89	0	4,700	4,750	746	642	537	433	333	238	143	48	0
						4,750	4,800	756	651	547	442	342	247	152	57	0
						4,800	4,850	765	661	556	452	350	255	160	65	0
						4,850	4,900	774	670	565	461	359	264	169	74	0
						4,900	4,950	784	679	575	470	367	272	177	82	0
						4,950	5,000	793	689	584	480	376	281	186	91	0

The amendment was agreed to.

The next amendment was, in section 104, Reduction in Withholding of Tax at Source on Wages, to strike out pages 13, 14, 15, 16, and 17 as follows:

If the pay-roll period with respect to an employee is weekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$11	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$11	$12	$2.00	.10	0	0	0	0	0	0	0	0	0
$12	$13	2.10	.30	0	0	0	0	0	0	0	0	0
$13	$14	2.30	.50	0	0	0	0	0	0	0	0	0
$14	$15	2.50	.70	0	0	0	0	0	0	0	0	0
$15	$16	2.70	.80	0	0	0	0	0	0	0	0	0
$16	$17	2.80	1.00	0	0	0	0	0	0	0	0	0
$17	$18	3.00	1.20	0	0	0	0	0	0	0	0	0
$18	$19	3.20	1.30	0	0	0	0	0	0	0	0	0
$19	$20	3.30	1.50	0	0	0	0	0	0	0	0	0
$20	$21	3.50	1.70	0	0	0	0	0	0	0	0	0
$21	$22	3.70	1.80	0	0	0	0	0	0	0	0	0
$22	$23	3.80	2.00	.20	0	0	0	0	0	0	0	0
$23	$24	4.00	2.20	.40	0	0	0	0	0	0	0	0
$24	$25	4.20	2.40	.50	0	0	0	0	0	0	0	0
$25	$26	4.40	2.50	.70	0	0	0	0	0	0	0	0
$26	$27	4.50	2.70	.90	0	0	0	0	0	0	0	0
$27	$28	4.70	2.90	1.00	0	0	0	0	0	0	0	0
$28	$29	4.90	3.00	1.20	0	0	0	0	0	0	0	0
$29	$30	5.00	3.20	1.40	0	0	0	0	0	0	0	0
$30	$31	5.20	3.40	1.60	0	0	0	0	0	0	0	0
$31	$32	5.40	3.60	1.70	0	0	0	0	0	0	0	0
$32	$33	5.60	3.70	1.90	.10	0	0	0	0	0	0	0
$33	$34	5.70	3.90	2.10	.20	0	0	0	0	0	0	0
$34	$35	5.90	4.10	2.20	.40	0	0	0	0	0	0	0
$35	$36	6.10	4.20	2.40	.60	0	0	0	0	0	0	0
$36	$37	6.20	4.40	2.60	.80	0	0	0	0	0	0	0
$37	$38	6.40	4.60	2.80	.90	0	0	0	0	0	0	0
$38	$39	6.60	4.80	2.90	1.10	0	0	0	0	0	0	0
$39	$40	6.80	4.90	3.10	1.30	0	0	0	0	0	0	0
$40	$41	6.90	5.10	3.30	1.40	0	0	0	0	0	0	0
$41	$42	7.10	5.30	3.40	1.60	0	0	0	0	0	0	0
$42	$43	7.30	5.40	3.60	1.80	0	0	0	0	0	0	0
$43	$44	7.50	5.60	3.80	2.00	.10	0	0	0	0	0	0
$44	$45	7.60	5.80	4.00	2.10	.30	0	0	0	0	0	0
$45	$46	7.80	6.00	4.10	2.30	.50	0	0	0	0	0	0
$46	$47	8.00	6.10	4.30	2.50	.60	0	0	0	0	0	0
$47	$48	8.20	6.30	4.50	2.60	.80	0	0	0	0	0	0
$48	$49	8.40	6.50	4.60	2.80	1.00	0	0	0	0	0	0
$49	$50	8.60	6.60	4.80	3.00	1.20	0	0	0	0	0	0
$50	$51	8.80	6.80	5.00	3.20	1.30	0	0	0	0	0	0
$51	$52	9.00	7.00	5.20	3.30	1.50	0	0	0	0	0	0
$52	$53	9.20	7.20	5.30	3.50	1.70	0	0	0	0	0	0
$53	$54	9.30	7.30	5.50	3.70	1.80	0	0	0	0	0	0
$54	$55	9.50	7.50	5.70	3.80	2.00	.20	0	0	0	0	0
$55	$56	9.70	7.70	5.80	4.00	2.20	.40	0	0	0	0	0
$56	$57	9.90	7.90	6.00	4.20	2.40	.50	0	0	0	0	0
$57	$58	10.10	8.10	6.20	4.40	2.50	.70	0	0	0	0	0
$58	$59	10.30	8.30	6.30	4.50	2.70	.90	0	0	0	0	0
$59	$60	10.50	8.50	6.50	4.70	2.90	1.00	0	0	0	0	0
$60	$62	10.80	8.70	6.80	5.00	3.10	1.30	0	0	0	0	0
$62	$64	11.10	9.10	7.10	5.30	3.50	1.60	0	0	0	0	0
$64	$66	11.50	9.50	7.50	5.60	3.80	2.00	.20	0	0	0	0
$66	$68	11.90	9.90	7.90	6.00	4.10	2.30	.50	0	0	0	0
$68	$70	12.30	10.30	8.20	6.30	4.50	2.70	.80	0	0	0	0
$70	$72	12.60	10.60	8.60	6.70	4.80	3.00	1.20	0	0	0	0
$72	$74	13.00	11.00	9.00	7.00	5.20	3.30	1.50	0	0	0	0
$74	$76	13.40	11.40	9.40	7.30	5.50	3.70	1.90	0	0	0	0
$76	$78	13.80	11.80	9.70	7.70	5.90	4.00	2.20	.40	0	0	0
$78	$80	14.20	12.10	10.10	8.10	6.20	4.40	2.50	.70	0	0	0
$80	$82	14.50	12.50	10.50	8.50	6.50	4.70	2.90	1.10	0	0	0
$82	$84	14.90	12.90	10.90	8.90	6.90	5.10	3.20	1.40	0	0	0
$84	$86	15.30	13.30	11.30	9.20	7.20	5.40	3.60	1.70	0	0	0
$86	$88	15.70	13.70	11.60	9.60	7.60	5.70	3.90	2.10	.30	0	0
$88	$90	16.10	14.00	12.00	10.00	8.00	6.10	4.30	2.40	.60	0	0
$90	$92	16.40	14.40	12.40	10.40	8.40	6.40	4.60	2.80	.90	0	0
$92	$94	16.80	14.80	12.80	10.80	8.70	6.80	4.90	3.10	1.30	0	0
$94	$96	17.20	15.20	13.10	11.10	9.10	7.10	5.30	3.50	1.60	0	0
$96	$98	17.60	15.50	13.50	11.50	9.50	7.50	5.60	3.80	2.00	.10	0
$98	$100	17.90	15.90	13.90	11.90	9.90	7.80	6.00	4.10	2.30	.50	0
$100	$105	18.60	16.60	14.60	12.50	10.50	8.50	6.60	4.70	2.90	1.10	0
$105	$110	19.50	17.50	15.50	13.50	11.50	9.50	7.40	5.60	3.80	1.90	.10
$110	$115	20.50	18.50	16.50	14.40	12.40	10.40	8.40	6.40	4.60	2.80	1.00
$115	$120	21.40	19.40	17.40	15.40	13.40	11.30	9.30	7.30	5.50	3.70	1.80
$120	$125	22.40	20.40	18.30	16.30	14.30	12.30	10.30	8.20	6.30	4.50	2.70
$125	$130	23.30	21.30	19.30	17.30	15.30	13.20	11.20	9.20	7.20	5.40	3.50
$130	$135	24.30	22.30	20.20	18.20	16.20	14.20	12.20	10.10	8.10	6.20	4.40
$135	$140	25.20	23.20	21.20	19.20	17.10	15.10	13.10	11.10	9.10	7.10	5.20
$140	$145	26.20	24.10	22.10	20.10	18.10	16.10	14.00	12.00	10.00	8.00	6.10
$145	$150	27.10	25.10	23.10	21.10	19.00	17.00	15.00	13.00	11.00	8.90	7.00
$150	$160	28.50	26.50	24.50	22.50	20.40	18.40	16.40	14.40	12.40	10.40	8.30
$160	$170	30.40	28.40	26.40	24.40	22.30	20.30	18.30	16.30	14.30	12.20	10.20
$170	$180	32.30	30.30	28.30	26.20	24.20	22.20	20.20	18.20	16.20	14.10	12.10
$180	$190	34.20	32.20	30.20	28.10	26.10	24.10	22.10	20.10	18.00	16.00	14.00
$190	$200	36.10	34.10	32.00	30.00	28.00	26.00	24.00	22.00	19.90	17.90	15.90
		19 percent of the excess over $200 plus—										
$200 and over		37.00	35.00	33.00	31.00	29.00	26.90	24.90	22.90	20.90	18.90	16.80

If the pay-roll period with respect to an employee is biweekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$20	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$20	$22	$3.60	0	0	0	0	0	0	0	0	0	0
$22	$24	3.90	.30	0	0	0	0	0	0	0	0	0
$24	$26	4.30	.60	0	0	0	0	0	0	0	0	0
$26	$28	4.60	1.00	0	0	0	0	0	0	0	0	0
$28	$30	5.00	1.30	0	0	0	0	0	0	0	0	0
$30	$32	5.30	1.60	0	0	0	0	0	0	0	0	0
$32	$34	5.60	2.00	0	0	0	0	0	0	0	0	0
$34	$36	6.00	2.30	0	0	0	0	0	0	0	0	0
$36	$38	6.30	2.70	0	0	0	0	0	0	0	0	0
$38	$40	6.70	3.00	0	0	0	0	0	0	0	0	0
$40	$42	7.00	3.40	0	0	0	0	0	0	0	0	0
$42	$44	7.40	3.70	0	0	0	0	0	0	0	0	0
$44	$46	7.70	4.00	.40	0	0	0	0	0	0	0	0
$46	$48	8.00	4.40	.70	0	0	0	0	0	0	0	0
$48	$50	8.40	4.70	1.10	0	0	0	0	0	0	0	0
$50	$52	8.70	5.10	1.40	0	0	0	0	0	0	0	0
$52	$54	9.10	5.40	1.80	0	0	0	0	0	0	0	0
$54	$56	9.40	5.80	2.10	0	0	0	0	0	0	0	0
$56	$58	9.70	6.10	2.40	0	0	0	0	0	0	0	0
$58	$60	10.10	6.40	2.80	0	0	0	0	0	0	0	0
$60	$62	10.40	6.80	3.10	0	0	0	0	0	0	0	0
$62	$64	10.80	7.10	3.50	0	0	0	0	0	0	0	0
$64	$66	11.10	7.50	3.80	.20	0	0	0	0	0	0	0
$66	$68	11.50	7.80	4.10	.50	0	0	0	0	0	0	0
$68	$70	11.80	8.10	4.50	.80	0	0	0	0	0	0	0
$70	$72	12.10	8.50	4.80	1.20	0	0	0	0	0	0	0
$72	$74	12.50	8.80	5.20	1.50	0	0	0	0	0	0	0
$74	$76	12.80	9.20	5.50	1.90	0	0	0	0	0	0	0
$76	$78	13.20	9.50	5.90	2.20	0	0	0	0	0	0	0
$78	$80	13.50	9.90	6.20	2.50	0	0	0	0	0	0	0
$80	$82	13.90	10.20	6.50	2.90	0	0	0	0	0	0	0
$82	$84	14.20	10.50	6.90	3.20	0	0	0	0	0	0	0
$84	$86	14.50	10.90	7.20	3.60	0	0	0	0	0	0	0
$86	$88	14.90	11.20	7.60	3.90	.30	0	0	0	0	0	0
$88	$90	15.30	11.60	7.90	4.30	.60	0	0	0	0	0	0
$90	$92	15.70	11.90	8.30	4.60	.90	0	0	0	0	0	0
$92	$94	16.00	12.20	8.60	4.90	1.30	0	0	0	0	0	0
$94	$96	16.40	12.60	8.90	5.30	1.60	0	0	0	0	0	0
$96	$98	16.80	12.90	9.30	5.60	2.00	0	0	0	0	0	0
$98	$100	17.20	13.30	9.60	6.00	2.30	0	0	0	0	0	0
$100	$102	17.60	13.60	10.00	6.30	2.70	0	0	0	0	0	0
$102	$104	17.90	14.00	10.30	6.70	3.00	0	0	0	0	0	0
$104	$106	18.30	14.30	10.60	7.00	3.30	0	0	0	0	0	0
$106	$108	18.70	14.60	11.00	7.30	3.70	0	0	0	0	0	0
$108	$110	19.10	15.00	11.30	7.70	4.00	.40	0	0	0	0	0
$110	$112	19.40	15.40	11.70	8.00	4.40	.70	0	0	0	0	0
$112	$114	19.80	15.80	12.00	8.40	4.70	1.10	0	0	0	0	0
$114	$116	20.20	16.20	12.40	8.70	5.00	1.40	0	0	0	0	0
$116	$118	20.60	16.50	12.70	9.00	5.40	1.70	0	0	0	0	0
$118	$120	21.00	16.90	13.00	9.40	5.70	2.10	0	0	0	0	0
$120	$124	21.50	17.50	13.60	9.90	6.20	2.60	0	0	0	0	0
$124	$128	22.30	18.20	14.20	10.60	6.90	3.30	0	0	0	0	0
$128	$132	23.00	19.00	15.00	11.30	7.60	4.00	.30	0	0	0	0
$132	$136	23.80	19.70	15.70	12.00	8.30	4.60	1.00	0	0	0	0
$136	$140	24.50	20.50	16.50	12.60	9.00	5.30	1.70	0	0	0	0
$140	$144	25.30	21.30	17.20	13.30	9.70	6.00	2.40	0	0	0	0
$144	$148	26.10	22.00	18.00	14.00	10.40	6.70	3.00	0	0	0	0
$148	$152	26.80	22.80	18.70	14.70	11.00	7.40	3.70	.10	0	0	0
$152	$156	27.60	23.50	19.50	15.50	11.70	8.10	4.40	.80	0	0	0
$156	$160	28.30	24.30	20.20	16.20	12.40	8.70	5.10	1.40	0	0	0
$160	$164	29.10	25.00	21.00	17.00	13.10	9.40	5.80	2.10	0	0	0
$164	$168	29.80	25.80	21.80	17.70	13.80	10.10	6.50	2.80	0	0	0
$168	$172	30.60	26.60	22.50	18.50	14.50	10.80	7.10	3.50	0	0	0
$172	$176	31.30	27.30	23.30	19.20	15.20	11.50	7.80	4.20	.50	0	0
$176	$180	32.10	28.10	24.00	20.00	15.90	12.20	8.50	4.90	1.20	0	0
$180	$184	32.90	28.80	24.80	20.70	16.70	12.90	9.20	5.50	1.90	0	0
$184	$188	33.60	29.60	25.50	21.50	17.50	13.50	9.90	6.20	2.60	0	0
$188	$192	34.40	30.30	26.30	22.30	18.20	14.20	10.60	6.90	3.30	0	0
$192	$196	35.10	31.10	27.10	23.00	19.00	14.90	11.30	7.60	3.90	.30	0
$196	$200	35.90	31.80	27.80	23.80	19.70	15.70	11.90	8.30	4.60	1.00	0
$200	$210	37.20	33.20	29.10	25.10	21.10	17.00	13.10	9.50	5.80	2.20	0
$210	$220	39.10	35.10	31.00	27.00	22.90	18.90	14.90	11.20	7.50	3.90	.20
$220	$230	41.00	36.90	32.90	28.90	24.80	20.80	16.80	12.90	9.20	5.60	1.90
$230	$240	42.90	38.80	34.80	30.80	26.70	22.70	18.60	14.60	11.00	7.30	3.60
$240	$250	44.80	40.70	36.70	32.70	28.60	24.60	20.50	16.50	12.70	9.00	5.40
$250	$260	46.70	42.60	38.60	34.50	30.50	26.50	22.40	18.40	14.40	10.70	7.10
$260	$270	48.50	44.50	40.50	36.40	32.40	28.40	24.30	20.30	16.20	12.40	8.80
$270	$280	50.40	46.40	42.40	38.30	34.30	30.20	26.20	22.20	18.10	14.10	10.50
$280	$290	52.30	48.30	44.20	40.20	36.20	32.10	28.10	24.10	20.00	16.00	12.20
$290	$300	54.20	50.20	46.10	42.10	38.10	34.00	30.00	25.90	21.90	17.90	13.90
$300	$320	57.10	53.00	49.00	44.90	40.90	36.90	32.80	28.80	24.70	20.70	16.70
$320	$340	60.80	56.80	52.80	48.70	44.70	40.60	36.60	32.60	28.50	24.50	20.40
$340	$360	64.60	60.60	56.50	52.50	48.50	44.40	40.40	36.30	32.30	28.30	24.20
$360	$380	68.40	64.40	60.30	56.30	52.20	48.20	44.20	40.10	36.10	32.00	28.00
$380	$400	72.20	68.10	64.10	60.10	56.00	52.00	47.90	43.90	39.90	35.80	31.80
		19 percent of the excess over $400 plus—										
$400 and over		74.10	70.00	66.00	61.90	57.90	53.90	49.80	45.80	41.80	37.70	33.70

If the pay-roll period with respect to an employee is semimonthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$22	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$22	$24	3.90	0	0	0	0	0	0	0	0	0	0
$24	$26	4.30	.30	0	0	0	0	0	0	0	0	0
$26	$28	4.60	.70	0	0	0	0	0	0	0	0	0
$28	$30	5.00	1.00	0	0	0	0	0	0	0	0	0
$30	$32	5.30	1.30	0	0	0	0	0	0	0	0	0
$32	$34	5.60	1.70	0	0	0	0	0	0	0	0	0
$34	$36	6.00	2.00	0	0	0	0	0	0	0	0	0
$36	$38	6.30	2.40	0	0	0	0	0	0	0	0	0
$38	$40	6.70	2.70	0	0	0	0	0	0	0	0	0
$40	$42	7.00	3.10	0	0	0	0	0	0	0	0	0
$42	$44	7.40	3.40	0	0	0	0	0	0	0	0	0
$44	$46	7.70	3.70	0	0	0	0	0	0	0	0	0
$46	$48	8.00	4.10	.10	0	0	0	0	0	0	0	0
$48	$50	8.40	4.40	.50	0	0	0	0	0	0	0	0
$50	$52	8.70	4.80	.80	0	0	0	0	0	0	0	0
$52	$54	9.10	5.10	1.10	0	0	0	0	0	0	0	0
$54	$56	9.40	5.40	1.50	0	0	0	0	0	0	0	0
$56	$58	9.70	5.80	1.80	0	0	0	0	0	0	0	0
$58	$60	10.10	6.10	2.20	0	0	0	0	0	0	0	0
$60	$62	10.40	6.50	2.50	0	0	0	0	0	0	0	0
$62	$64	10.80	6.80	2.90	0	0	0	0	0	0	0	0
$64	$66	11.10	7.20	3.20	0	0	0	0	0	0	0	0
$66	$68	11.50	7.50	3.50	0	0	0	0	0	0	0	0
$68	$70	11.80	7.80	3.90	0	0	0	0	0	0	0	0
$70	$72	12.10	8.20	4.20	.30	0	0	0	0	0	0	0
$72	$74	12.50	8.50	4.60	.60	0	0	0	0	0	0	0
$74	$76	12.80	8.90	4.90	1.00	0	0	0	0	0	0	0
$76	$78	13.20	9.20	5.30	1.30	0	0	0	0	0	0	0
$78	$80	13.50	9.60	5.60	1.60	0	0	0	0	0	0	0
$80	$82	13.90	9.90	5.90	2.00	0	0	0	0	0	0	0
$82	$84	14.20	10.20	6.30	2.30	0	0	0	0	0	0	0
$84	$86	14.50	10.60	6.60	2.70	0	0	0	0	0	0	0
$86	$88	14.90	10.90	7.00	3.00	0	0	0	0	0	0	0
$88	$90	15.20	11.30	7.30	3.30	0	0	0	0	0	0	0
$90	$92	15.60	11.60	7.60	3.70	0	0	0	0	0	0	0
$92	$94	15.90	11.90	8.00	4.00	.10	0	0	0	0	0	0
$94	$96	16.30	12.30	8.30	4.40	.40	0	0	0	0	0	0
$96	$98	16.70	12.60	8.70	4.70	.80	0	0	0	0	0	0
$98	$100	17.00	13.00	9.00	5.10	1.10	0	0	0	0	0	0
$100	$102	17.40	13.30	9.40	5.40	1.40	0	0	0	0	0	0
$102	$104	17.80	13.70	9.70	5.70	1.80	0	0	0	0	0	0
$104	$106	18.20	14.00	10.00	6.10	2.10	0	0	0	0	0	0
$106	$108	18.60	14.30	10.40	6.40	2.50	0	0	0	0	0	0
$108	$110	18.90	14.70	10.70	6.80	2.80	0	0	0	0	0	0
$110	$112	19.30	15.00	11.10	7.10	3.10	0	0	0	0	0	0
$112	$114	19.70	15.40	11.40	7.40	3.50	0	0	0	0	0	0
$114	$116	20.10	15.70	11.70	7.80	3.80	0	0	0	0	0	0
$116	$118	20.40	16.10	12.10	8.10	4.20	.20	0	0	0	0	0
$118	$120	20.80	16.40	12.40	8.50	4.50	.60	0	0	0	0	0
$120	$124	21.40	17.00	12.90	9.00	5.00	1.10	0	0	0	0	0
$124	$128	22.10	17.80	13.60	9.70	5.70	1.80	0	0	0	0	0
$128	$132	22.90	18.50	14.30	10.40	6.40	2.40	0	0	0	0	0
$132	$136	23.70	19.30	15.00	11.00	7.10	3.10	0	0	0	0	0
$136	$140	24.40	20.00	15.70	11.70	7.80	3.80	0	0	0	0	0
$140	$144	25.20	20.80	16.40	12.40	8.40	4.50	.50	0	0	0	0
$144	$148	25.90	21.60	17.20	13.10	9.10	5.20	1.20	0	0	0	0
$148	$152	26.70	22.30	17.90	13.80	9.80	5.90	1.90	0	0	0	0
$152	$156	27.40	23.10	18.70	14.50	10.50	6.50	2.60	0	0	0	0
$156	$160	28.20	23.80	19.40	15.10	11.20	7.20	3.20	0	0	0	0
$160	$164	29.00	24.60	20.20	15.80	11.90	7.90	4.00	0	0	0	0
$164	$168	29.70	25.30	21.00	16.60	12.60	8.60	4.60	.70	0	0	0
$168	$172	30.50	26.10	21.70	17.30	13.20	9.30	5.30	1.40	0	0	0
$172	$176	31.20	26.80	22.50	18.10	13.90	10.00	6.00	2.00	0	0	0
$176	$180	32.00	27.60	23.20	18.90	14.60	10.60	6.70	2.70	0	0	0
$180	$184	32.70	28.40	24.00	19.60	15.30	11.30	7.40	3.40	0	0	0
$184	$188	33.50	29.10	24.70	20.40	16.00	12.00	8.10	4.10	.10	0	0
$188	$192	34.20	29.90	25.50	21.10	16.70	12.70	8.70	4.80	.80	0	0
$192	$196	35.00	30.60	26.20	21.90	17.50	13.40	9.40	5.50	1.50	0	0
$196	$200	35.80	31.40	27.00	22.60	18.30	14.10	10.10	6.10	2.20	0	0
$200	$210	37.10	32.70	28.30	24.00	19.60	15.30	11.30	7.30	3.40	0	0
$210	$220	39.00	34.60	30.20	25.80	21.50	17.10	13.00	9.10	5.10	1.10	0
$220	$230	40.90	36.50	32.10	27.70	23.40	19.00	14.70	10.80	6.80	2.90	0
$230	$240	42.70	38.40	34.00	29.60	25.20	20.90	16.50	12.50	8.50	4.60	.60
$240	$250	44.60	40.30	35.90	31.50	27.10	22.80	18.40	14.20	10.20	6.30	2.30
$250	$260	46.50	42.20	37.80	33.40	29.00	24.70	20.30	15.90	11.90	8.00	4.00
$260	$270	48.40	44.00	39.70	35.30	30.90	26.50	22.20	17.80	13.60	9.70	5.70
$270	$280	50.30	45.90	41.60	37.20	32.80	28.40	24.10	19.70	15.40	11.40	7.40
$280	$290	52.20	47.80	43.40	39.10	34.70	30.30	25.90	21.60	17.20	13.10	9.20
$290	$300	54.10	49.70	45.30	41.00	36.60	32.20	27.80	23.50	19.10	14.80	10.90
$300	$320	56.90	52.50	48.20	43.80	39.40	35.00	30.70	26.30	21.90	17.50	13.40
$320	$340	60.70	56.30	52.00	47.60	43.20	38.80	34.50	30.10	25.70	21.30	17.00
$340	$360	64.50	60.10	55.70	51.40	47.00	42.60	38.20	33.90	29.50	25.10	20.70
$360	$380	68.30	63.90	59.50	55.10	50.80	46.40	42.00	37.60	33.30	28.90	24.50
$380	$400	72.00	67.70	63.30	58.90	54.50	50.20	45.80	41.40	37.00	32.70	28.30
$400	$420	75.80	71.40	67.10	62.70	58.30	53.90	49.60	45.20	40.80	36.40	32.10
$420	$440	79.60	75.20	70.90	66.50	62.10	57.70	53.40	49.00	44.60	40.20	35.90
$440	$460	83.40	79.00	74.60	70.30	65.90	61.50	57.10	52.80	48.40	44.00	39.60
$460	$480	87.20	82.80	78.40	74.00	69.70	65.30	60.90	56.50	52.20	47.80	43.40
$480	$500	90.90	86.60	82.20	77.80	73.40	69.10	64.70	60.30	55.90	51.60	47.20
		19 percent of the excess over $500 plus—										
$500 and over		92.80	88.50	84.10	79.70	75.30	71.00	66.60	62.20	57.80	53.50	49.10

If the pay-roll period with respect to an employee is monthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$44	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$44	$48	$7.90	0	0	0	0	0	0	0	0	0	0
$48	$52	8.60	.60	0	0	0	0	0	0	0	0	0
$52	$56	9.20	1.30	0	0	0	0	0	0	0	0	0
$56	$60	9.90	2.00	0	0	0	0	0	0	0	0	0
$60	$64	10.60	2.70	0	0	0	0	0	0	0	0	0
$64	$68	11.30	3.40	0	0	0	0	0	0	0	0	0
$68	$72	12.00	4.10	0	0	0	0	0	0	0	0	0
$72	$76	12.70	4.70	0	0	0	0	0	0	0	0	0
$76	$80	13.30	5.40	0	0	0	0	0	0	0	0	0
$80	$84	14.00	6.10	0	0	0	0	0	0	0	0	0
$84	$88	14.70	6.80	0	0	0	0	0	0	0	0	0
$88	$92	15.40	7.50	0	0	0	0	0	0	0	0	0
$92	$96	16.10	8.20	.20	0	0	0	0	0	0	0	0
$96	$100	16.80	8.80	.90	0	0	0	0	0	0	0	0
$100	$104	17.40	9.50	1.60	0	0	0	0	0	0	0	0
$104	$108	18.10	10.20	2.30	0	0	0	0	0	0	0	0
$108	$112	18.80	10.90	3.00	0	0	0	0	0	0	0	0
$112	$116	19.50	11.60	3.70	0	0	0	0	0	0	0	0
$116	$120	20.20	12.30	4.30	0	0	0	0	0	0	0	0
$120	$124	20.90	12.90	5.00	0	0	0	0	0	0	0	0
$124	$128	21.50	13.60	5.70	0	0	0	0	0	0	0	0
$128	$132	22.20	14.30	6.40	0	0	0	0	0	0	0	0
$132	$136	22.90	15.00	7.10	0	0	0	0	0	0	0	0
$136	$140	23.60	15.70	7.80	0	0	0	0	0	0	0	0
$140	$144	24.30	16.40	8.40	.70	0	0	0	0	0	0	0
$144	$148	25.00	17.00	9.10	1.20	0	0	0	0	0	0	0
$148	$152	25.70	17.70	9.80	1.90	0	0	0	0	0	0	0
$152	$156	26.30	18.40	10.50	2.60	0	0	0	0	0	0	0
$156	$160	27.00	19.10	11.20	3.30	0	0	0	0	0	0	0
$160	$164	27.70	19.80	11.90	4.00	0	0	0	0	0	0	0
$164	$168	28.40	20.50	12.60	4.60	0	0	0	0	0	0	0
$168	$172	29.10	21.20	13.20	5.30	0	0	0	0	0	0	0
$172	$176	29.80	21.80	13.90	6.00	0	0	0	0	0	0	0
$176	$180	30.40	22.50	14.60	6.70	0	0	0	0	0	0	0
$180	$184	31.10	23.20	15.30	7.40	0	0	0	0	0	0	0
$184	$188	31.80	23.90	16.00	8.10	.10	0	0	0	0	0	0
$188	$192	32.60	24.60	16.70	8.70	.80	0	0	0	0	0	0
$192	$196	33.30	25.30	17.30	9.40	1.50	0	0	0	0	0	0
$196	$200	34.10	25.90	18.00	10.10	2.20	0	0	0	0	0	0
$200	$204	34.80	26.60	18.70	10.80	2.90	0	0	0	0	0	0
$204	$208	35.60	27.30	19.40	11.50	3.60	0	0	0	0	0	0
$208	$212	36.40	28.00	20.10	12.20	4.20	0	0	0	0	0	0
$212	$216	37.10	28.70	20.80	12.80	4.90	0	0	0	0	0	0
$216	$220	37.90	29.40	21.40	13.50	5.60	0	0	0	0	0	0
$220	$224	38.60	30.00	22.10	14.20	6.30	0	0	0	0	0	0
$224	$228	39.40	30.70	22.80	14.90	7.00	0	0	0	0	0	0
$228	$232	40.10	31.40	23.50	15.60	7.70	0	0	0	0	0	0
$232	$236	40.90	32.10	24.20	16.30	8.30	.40	0	0	0	0	0
$236	$240	41.60	32.90	24.90	16.90	9.00	1.10	0	0	0	0	0
$240	$248	42.80	34.00	25.90	18.00	10.10	2.10	0	0	0	0	0
$248	$256	44.30	35.50	27.30	19.30	11.40	3.50	0	0	0	0	0
$256	$264	45.80	37.10	28.60	20.70	12.80	4.90	0	0	0	0	0
$264	$272	47.30	38.60	30.00	22.10	14.20	6.20	0	0	0	0	0
$272	$280	48.80	40.10	31.40	23.40	15.50	7.60	0	0	0	0	0
$280	$288	50.30	41.60	32.80	24.80	16.90	9.00	1.10	0	0	0	0
$288	$296	51.90	43.10	34.40	26.20	18.30	10.30	2.40	0	0	0	0
$296	$304	53.40	44.60	35.90	27.60	19.60	11.70	3.80	0	0	0	0
$304	$312	54.90	46.10	37.40	28.90	21.00	13.10	5.20	0	0	0	0
$312	$320	56.40	47.60	38.90	30.30	22.40	14.50	6.50	0	0	0	0
$320	$328	57.90	49.20	40.40	31.70	23.70	15.80	7.90	0	0	0	0
$328	$336	59.40	50.70	41.90	33.20	25.10	17.20	9.30	1.40	0	0	0
$336	$344	60.90	52.20	43.40	34.70	26.50	18.60	10.60	2.70	0	0	0
$344	$352	62.40	53.70	44.90	36.20	27.80	19.90	12.00	4.10	0	0	0
$352	$360	64.00	55.20	46.50	37.70	29.20	21.30	13.40	5.50	0	0	0
$360	$368	65.50	56.70	48.00	39.20	30.60	22.70	14.70	6.80	0	0	0
$368	$376	67.00	58.20	49.50	40.70	32.00	24.00	16.10	8.20	.30	0	0
$376	$384	68.50	59.70	51.00	42.20	33.50	25.40	17.50	9.60	1.60	0	0
$384	$392	70.00	61.20	52.50	43.70	35.00	26.80	18.80	10.90	3.00	0	0
$392	$400	71.50	62.80	54.00	45.30	36.50	28.10	20.20	12.30	4.40	0	0
$400	$420	74.20	65.40	56.70	47.90	39.20	30.50	22.60	14.70	6.80	0	0
$420	$440	77.90	69.20	60.40	51.70	42.90	34.20	26.00	18.10	10.20	2.30	0
$440	$460	81.70	73.00	64.20	55.50	46.70	38.00	29.50	21.50	13.60	5.70	0
$460	$480	85.50	76.70	68.00	59.20	50.50	41.70	33.00	25.00	17.00	9.10	1.20
$480	$500	89.30	80.50	71.80	63.00	54.30	45.50	36.80	28.40	20.50	12.50	4.60
$500	$520	93.10	84.30	75.60	66.80	58.10	49.30	40.60	31.80	23.90	16.00	8.00
$520	$540	96.80	88.10	79.30	70.60	61.80	53.10	44.30	35.60	27.30	19.40	11.50
$540	$560	100.60	91.90	83.10	74.40	65.60	56.90	48.10	39.40	30.70	22.80	14.90
$560	$580	104.40	95.60	86.90	78.10	69.40	60.60	51.90	43.10	34.40	26.20	18.30
$580	$600	108.20	99.40	90.70	81.90	73.20	64.40	55.70	46.90	38.20	29.60	21.70
$600	$640	113.80	105.10	96.30	87.60	78.80	70.10	61.30	52.60	43.80	35.10	26.90
$640	$680	121.40	112.70	103.90	95.20	86.40	77.70	68.90	60.20	51.40	42.70	33.90
$680	$720	129.00	120.20	111.50	102.70	94.00	85.20	76.50	67.70	59.00	50.20	41.50
$720	$760	136.50	127.80	119.00	110.30	101.50	92.80	84.00	75.30	66.50	57.80	49.00
$760	$800	144.10	135.30	126.60	117.80	109.10	100.30	91.60	82.80	74.10	65.30	56.60
$800	$840	151.60	142.90	134.10	125.40	116.60	107.90	99.10	90.40	81.60	72.90	64.10
$840	$880	159.20	150.50	141.70	133.00	124.20	115.50	106.70	98.00	89.20	80.50	71.70
$880	$920	166.80	158.00	149.30	140.50	131.80	123.00	114.30	105.50	96.80	88.00	79.30
$920	$960	174.30	165.60	156.80	148.10	139.30	130.60	121.80	113.10	104.30	95.60	86.80
$960	$1,000	181.90	173.10	164.40	155.60	146.90	138.10	129.40	120.60	111.90	103.10	94.40
		19 percent of the excess over $1,000 plus—										
$1,000 and over		185.70	176.90	168.20	159.40	150.70	141.90	133.20	124.40	115.70	106.90	98.20

If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period										
$0	$1.50	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$1.50	$1.75	$0.30	0	0	0	0	0	0	0	0	0	0
$1.75	$2.00	.30	.05	0	0	0	0	0	0	0	0	0
$2.00	$2.25	.35	.10	0	0	0	0	0	0	0	0	0
$2.25	$2.50	.40	.15	0	0	0	0	0	0	0	0	0
$2.50	$2.75	.45	.20	0	0	0	0	0	0	0	0	0
$2.75	$3.00	.50	.25	0	0	0	0	0	0	0	0	0
$3.00	$3.25	.55	.25	0	0	0	0	0	0	0	0	0
$3.25	$3.50	.60	.30	.05	0	0	0	0	0	0	0	0
$3.50	$3.75	.60	.35	.10	0	0	0	0	0	0	0	0
$3.75	$4.00	.65	.40	.15	0	0	0	0	0	0	0	0
$4.00	$4.25	.70	.45	.20	0	0	0	0	0	0	0	0
$4.25	$4.50	.75	.50	.25	0	0	0	0	0	0	0	0
$4.50	$4.75	.80	.55	.25	0	0	0	0	0	0	0	0
$4.75	$5.00	.85	.55	.30	.05	0	0	0	0	0	0	0
$5.00	$5.25	.90	.60	.35	.10	0	0	0	0	0	0	0
$5.25	$5.50	.90	.65	.40	.15	0	0	0	0	0	0	0
$5.50	$5.75	.95	.70	.45	.20	0	0	0	0	0	0	0
$5.75	$6.00	1.00	.75	.50	.20	0	0	0	0	0	0	0
$6.00	$6.25	1.05	.80	.55	.25	0	0	0	0	0	0	0
$6.25	$6.50	1.10	.85	.55	.30	.05	0	0	0	0	0	0
$6.50	$6.75	1.15	.85	.60	.35	.10	0	0	0	0	0	0
$6.75	$7.00	1.20	.90	.65	.40	.15	0	0	0	0	0	0
$7.00	$7.25	1.25	.95	.70	.45	.20	0	0	0	0	0	0
$7.25	$7.50	1.30	1.00	.75	.50	.20	0	0	0	0	0	0
$7.50	$7.75	1.35	1.05	.80	.50	.25	0	0	0	0	0	0
$7.75	$8.00	1.40	1.10	.85	.55	.30	.05	0	0	0	0	0
$8.00	$8.25	1.45	1.15	.85	.60	.35	.10	0	0	0	0	0
$8.25	$8.50	1.45	1.20	.90	.65	.40	.15	0	0	0	0	0
$8.50	$8.75	1.50	1.25	.95	.70	.45	.15	0	0	0	0	0
$8.75	$9.00	1.55	1.30	1.00	.75	.50	.20	0	0	0	0	0
$9.00	$9.25	1.60	1.35	1.05	.80	.50	.25	0	0	0	0	0
$9.25	$9.50	1.65	1.35	1.10	.80	.55	.30	.05	0	0	0	0
$9.50	$9.75	1.70	1.40	1.15	.85	.60	.35	.10	0	0	0	0
$9.75	$10.00	1.75	1.45	1.20	.90	.65	.40	.15	0	0	0	0
$10.00	$10.50	1.85	1.55	1.25	.95	.70	.45	.20	0	0	0	0
$10.50	$11.00	1.90	1.65	1.35	1.05	.80	.55	.30	0	0	0	0
$11.00	$11.50	2.00	1.75	1.45	1.15	.90	.60	.35	.10	0	0	0
$11.50	$12.00	2.10	1.80	1.55	1.25	.95	.70	.45	.20	0	0	0
$12.00	$12.50	2.20	1.90	1.65	1.35	1.05	.80	.55	.25	0	0	0
$12.50	$13.00	2.30	2.00	1.70	1.45	1.15	.90	.60	.35	.10	0	0
$13.00	$13.50	2.40	2.10	1.80	1.55	1.25	.95	.70	.45	.20	0	0
$13.50	$14.00	2.50	2.20	1.90	1.65	1.35	1.05	.80	.55	.25	0	0
$14.00	$14.50	2.60	2.30	2.00	1.70	1.45	1.15	.90	.60	.35	.10	0
$14.50	$15.00	2.70	2.40	2.10	1.80	1.55	1.25	.95	.70	.45	.20	0
$15.00	$15.50	2.75	2.50	2.20	1.90	1.60	1.35	1.05	.80	.55	.25	0
$15.50	$16.00	2.85	2.60	2.30	2.00	1.70	1.45	1.15	.85	.60	.35	.10
$16.00	$16.50	2.95	2.65	2.40	2.10	1.80	1.50	1.25	.95	.70	.45	.20
$16.50	$17.00	3.05	2.75	2.50	2.20	1.90	1.60	1.35	1.05	.80	.50	.25
$17.00	$17.50	3.15	2.85	2.60	2.30	2.00	1.70	1.40	1.15	.85	.60	.35
$17.50	$18.00	3.25	2.95	2.65	2.40	2.10	1.80	1.50	1.25	.95	.70	.45
$18.00	$18.50	3.35	3.05	2.75	2.50	2.20	1.90	1.60	1.35	1.05	.80	.50
$18.50	$19.00	3.45	3.15	2.85	2.55	2.30	2.00	1.70	1.40	1.15	.85	.60
$19.00	$19.50	3.55	3.25	2.95	2.65	2.40	2.10	1.80	1.50	1.25	.95	.70
$19.50	$20.00	3.60	3.35	3.05	2.75	2.45	2.20	1.90	1.60	1.30	1.05	.75
$20.00	$21.00	3.75	3.50	3.20	2.90	2.60	2.35	2.05	1.75	1.45	1.20	.90
$21.00	$22.00	3.95	3.65	3.40	3.10	2.80	2.50	2.25	1.95	1.65	1.35	1.10
$22.00	$23.00	4.15	3.85	3.55	3.30	3.00	2.70	2.40	2.15	1.85	1.55	1.25
$23.00	$24.00	4.35	4.05	3.75	3.45	3.20	2.90	2.60	2.30	2.05	1.75	1.45
$24.00	$25.00	4.50	4.25	3.95	3.65	3.35	3.10	2.80	2.50	2.20	1.95	1.65
$25.00	$26.00	4.70	4.40	4.15	3.85	3.55	3.25	3.00	2.70	2.40	2.10	1.85
$26.00	$27.00	4.90	4.60	4.30	4.05	3.75	3.45	3.15	2.90	2.60	2.30	2.00
$27.00	$28.00	5.10	4.80	4.50	4.20	3.95	3.65	3.35	3.05	2.80	2.50	2.20
$28.00	$29.00	5.30	5.00	4.70	4.40	4.15	3.85	3.55	3.25	3.00	2.70	2.40
$29.00	$30.00	5.45	5.20	4.90	4.60	4.30	4.05	3.75	3.45	3.15	2.90	2.60
		19 percent of the excess over $30 plus—										
$30.00 and over		5.55	5.25	5.00	4.70	4.40	4.10	3.85	3.55	3.25	2.95	2.70

And in lieu thereof, to insert the following:

If the pay-roll period with respect to an employee is weekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$11	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$11	$12	$2.00	.10	0	0	0	0	0	0	0	0	0
$12	$13	2.10	.30	0	0	0	0	0	0	0	0	0
$13	$14	2.30	.50	0	0	0	0	0	0	0	0	0
$14	$15	2.50	.70	0	0	0	0	0	0	0	0	0
$15	$16	2.70	.80	0	0	0	0	0	0	0	0	0
$16	$17	2.80	1.00	0	0	0	0	0	0	0	0	0
$17	$18	3.00	1.20	0	0	0	0	0	0	0	0	0
$18	$19	3.20	1.30	0	0	0	0	0	0	0	0	0
$19	$20	3.30	1.50	0	0	0	0	0	0	0	0	0
$20	$21	3.50	1.70	0	0	0	0	0	0	0	0	0
$21	$22	3.70	1.80	0	0	0	0	0	0	0	0	0
$22	$23	3.80	2.00	.20	0	0	0	0	0	0	0	0
$23	$24	4.00	2.20	.40	0	0	0	0	0	0	0	0
$24	$25	4.20	2.40	.50	0	0	0	0	0	0	0	0
$25	$26	4.40	2.50	.70	0	0	0	0	0	0	0	0
$26	$27	4.50	2.70	.90	0	0	0	0	0	0	0	0
$27	$28	4.70	2.90	1.00	0	0	0	0	0	0	0	0
$28	$29	4.80	3.00	1.20	0	0	0	0	0	0	0	0
$29	$30	5.00	3.20	1.40	0	0	0	0	0	0	0	0
$30	$31	5.20	3.40	1.60	0	0	0	0	0	0	0	0
$31	$32	5.40	3.60	1.70	0	0	0	0	0	0	0	0
$32	$33	5.60	3.70	1.90	.10	0	0	0	0	0	0	0
$33	$34	5.70	3.90	2.10	.20	0	0	0	0	0	0	0
$34	$35	5.90	4.10	2.20	.40	0	0	0	0	0	0	0
$35	$36	6.10	4.20	2.40	.60	0	0	0	0	0	0	0
$36	$37	6.20	4.40	2.60	.80	0	0	0	0	0	0	0
$37	$38	6.40	4.60	2.80	.90	0	0	0	0	0	0	0
$38	$39	6.60	4.80	2.90	1.10	0	0	0	0	0	0	0
$39	$40	6.80	4.90	3.10	1.30	0	0	0	0	0	0	0
$40	$41	6.90	5.10	3.30	1.40	0	0	0	0	0	0	0
$41	$42	7.10	5.30	3.40	1.60	0	0	0	0	0	0	0
$42	$43	7.30	5.40	3.60	1.80	0	0	0	0	0	0	0
$43	$44	7.40	5.60	3.80	2.00	.10	0	0	0	0	0	0
$44	$45	7.60	5.80	4.00	2.10	.30	0	0	0	0	0	0
$45	$46	7.80	6.00	4.10	2.30	.50	0	0	0	0	0	0
$46	$47	8.00	6.10	4.30	2.50	.60	0	0	0	0	0	0
$47	$48	8.20	6.30	4.50	2.60	.80	0	0	0	0	0	0
$48	$49	8.40	6.50	4.60	2.80	1.00	0	0	0	0	0	0
$49	$50	8.60	6.60	4.80	3.00	1.20	0	0	0	0	0	0
$50	$51	8.80	6.80	5.00	3.20	1.30	0	0	0	0	0	0
$51	$52	8.90	7.00	5.20	3.30	1.50	0	0	0	0	0	0
$52	$53	9.10	7.20	5.30	3.50	1.70	0	0	0	0	0	0
$53	$54	9.30	7.30	5.50	3.70	1.80	0	0	0	0	0	0
$54	$55	9.50	7.50	5.70	3.80	2.00	.20	0	0	0	0	0
$55	$56	9.70	7.70	5.80	4.00	2.20	.40	0	0	0	0	0
$56	$57	9.90	7.90	6.00	4.20	2.40	.50	0	0	0	0	0
$57	$58	10.10	8.10	6.20	4.40	2.50	.70	0	0	0	0	0
$58	$59	10.30	8.30	6.30	4.50	2.70	.90	0	0	0	0	0
$59	$60	10.50	8.40	6.50	4.70	2.90	1.00	0	0	0	0	0
$60	$62	10.70	8.70	6.80	5.00	3.10	1.30	0	0	0	0	0
$62	$64	11.10	9.10	7.10	5.30	3.50	1.60	0	0	0	0	0
$64	$66	11.50	9.50	7.50	5.60	3.80	2.00	.20	0	0	0	0
$66	$68	11.90	9.90	7.80	6.00	4.10	2.30	.50	0	0	0	0
$68	$70	12.20	10.20	8.20	6.30	4.50	2.70	.80	0	0	0	0
$70	$72	12.60	10.60	8.60	6.70	4.80	3.00	1.20	0	0	0	0
$72	$74	13.00	11.00	9.00	7.00	5.20	3.30	1.50	0	0	0	0
$74	$76	13.40	11.40	9.40	7.30	5.50	3.70	1.90	0	0	0	0
$76	$78	13.70	11.70	9.70	7.70	5.90	4.00	2.20	.40	0	0	0
$78	$80	14.10	12.10	10.10	8.10	6.20	4.40	2.50	.70	0	0	0
$80	$82	14.50	12.50	10.50	8.50	6.50	4.70	2.90	1.10	0	0	0
$82	$84	14.90	12.90	10.90	8.80	6.90	5.10	3.20	1.40	0	0	0
$84	$86	15.30	13.20	11.20	9.20	7.20	5.40	3.60	1.70	0	0	0
$86	$88	15.60	13.60	11.60	9.60	7.60	5.70	3.90	2.10	.30	0	0
$88	$90	16.00	14.00	12.00	10.00	8.00	6.10	4.30	2.40	.60	0	0
$90	$92	16.40	14.40	12.40	10.40	8.30	6.40	4.60	2.80	.90	0	0
$92	$94	16.80	14.70	12.70	10.70	8.70	6.80	4.90	3.10	1.30	0	0
$94	$96	17.10	15.10	13.10	11.10	9.10	7.10	5.30	3.50	1.60	0	0
$96	$98	17.50	15.50	13.50	11.50	9.50	7.50	5.60	3.80	2.00	.10	0
$98	$100	17.90	15.90	13.90	11.90	9.90	7.80	6.00	4.10	2.30	.50	0
$100	$105	18.50	16.50	14.50	12.50	10.50	8.50	6.60	4.70	2.90	1.10	0
$105	$110	19.50	17.50	15.50	13.50	11.40	9.40	7.40	5.60	3.80	1.90	.10
$110	$115	20.40	18.40	16.40	14.40	12.40	10.40	8.40	6.40	4.60	2.80	1.00
$115	$120	21.40	19.40	17.30	15.30	13.30	11.30	9.30	7.30	5.50	3.70	1.80
$120	$125	22.30	20.30	18.30	16.30	14.30	12.30	10.30	8.20	6.30	4.50	2.70
$125	$130	23.20	21.20	19.20	17.20	15.20	13.20	11.20	9.20	7.20	5.40	3.50
$130	$135	24.20	22.20	20.20	18.20	16.20	14.10	12.10	10.10	8.10	6.20	4.40
$135	$140	25.10	23.10	21.10	19.10	17.10	15.10	13.10	11.10	9.10	7.10	5.20
$140	$145	26.10	24.10	22.00	20.00	18.00	16.00	14.00	12.00	10.00	8.00	6.10
$145	$150	27.00	25.00	23.00	21.00	19.00	17.00	15.00	12.90	10.90	8.90	7.00
$150	$160	28.40	26.40	24.40	22.40	20.40	18.40	16.40	14.40	12.30	10.30	8.30
$160	$170	30.30	28.30	26.30	24.30	22.30	20.30	18.20	16.20	14.20	12.20	10.20
$170	$180	32.20	30.20	28.20	26.20	24.10	22.10	20.10	18.10	16.10	14.10	12.10
$180	$190	34.10	32.10	30.00	28.00	26.00	24.00	22.00	20.00	18.00	16.00	14.00
$190	$200	35.90	33.90	31.90	29.90	27.90	25.90	23.90	21.90	19.90	17.90	15.80
		19 percent of the excess over $200 plus—										
$200 and over		36.90	34.90	32.90	30.90	28.80	26.80	24.80	22.80	20.80	18.80	16.80

If the pay-roll period with respect to an employee is biweekly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$20	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$20	$22	$3.60	0	0	0	0	0	0	0	0	0	0
$22	$24	3.90	.30	0	0	0	0	0	0	0	0	0
$24	$26	4.30	.60	0	0	0	0	0	0	0	0	0
$26	$28	4.60	1.00	0	0	0	0	0	0	0	0	0
$28	$30	5.00	1.30	0	0	0	0	0	0	0	0	0
$30	$32	5.30	1.60	0	0	0	0	0	0	0	0	0
$32	$34	5.60	2.00	0	0	0	0	0	0	0	0	0
$34	$36	6.00	2.30	0	0	0	0	0	0	0	0	0
$36	$38	6.30	2.70	0	0	0	0	0	0	0	0	0
$38	$40	6.70	3.00	0	0	0	0	0	0	0	0	0
$40	$42	7.00	3.40	0	0	0	0	0	0	0	0	0
$42	$44	7.40	3.70	0	0	0	0	0	0	0	0	0
$44	$46	7.70	4.00	.40	0	0	0	0	0	0	0	0
$46	$48	8.00	4.40	.70	0	0	0	0	0	0	0	0
$48	$50	8.40	4.70	1.10	0	0	0	0	0	0	0	0
$50	$52	8.70	5.10	1.40	0	0	0	0	0	0	0	0
$52	$54	9.10	5.40	1.80	0	0	0	0	0	0	0	0
$54	$56	9.40	5.80	2.10	0	0	0	0	0	0	0	0
$56	$58	9.70	6.10	2.40	0	0	0	0	0	0	0	0
$58	$60	10.10	6.40	2.80	0	0	0	0	0	0	0	0
$60	$62	10.40	6.80	3.10	0	0	0	0	0	0	0	0
$62	$64	10.80	7.10	3.50	0	0	0	0	0	0	0	0
$64	$66	11.10	7.50	3.80	.20	0	0	0	0	0	0	0
$66	$68	11.50	7.80	4.10	.50	0	0	0	0	0	0	0
$68	$70	11.80	8.10	4.50	.80	0	0	0	0	0	0	0
$70	$72	12.10	8.50	4.80	1.20	0	0	0	0	0	0	0
$72	$74	12.50	8.80	5.20	1.50	0	0	0	0	0	0	0
$74	$76	12.80	9.20	5.50	1.90	0	0	0	0	0	0	0
$76	$78	13.20	9.50	5.90	2.20	0	0	0	0	0	0	0
$78	$80	13.50	9.90	6.20	2.50	0	0	0	0	0	0	0
$80	$82	13.90	10.20	6.50	2.90	0	0	0	0	0	0	0
$82	$84	14.20	10.50	6.90	3.20	0	0	0	0	0	0	0
$84	$86	14.50	10.90	7.20	3.60	0	0	0	0	0	0	0
$86	$88	14.90	11.20	7.60	3.90	.30	0	0	0	0	0	0
$88	$90	15.30	11.60	7.90	4.30	.60	0	0	0	0	0	0
$90	$92	15.60	11.90	8.30	4.60	.90	0	0	0	0	0	0
$92	$94	16.00	12.20	8.60	4.90	1.30	0	0	0	0	0	0
$94	$96	16.40	12.60	8.90	5.30	1.60	0	0	0	0	0	0
$96	$98	16.80	12.90	9.30	5.60	2.00	0	0	0	0	0	0
$98	$100	17.20	13.30	9.60	6.00	2.30	0	0	0	0	0	0
$100	$102	17.50	13.60	10.00	6.30	2.70	0	0	0	0	0	0
$102	$104	17.90	14.00	10.30	6.70	3.00	0	0	0	0	0	0
$104	$106	18.30	14.30	10.60	7.00	3.30	0	0	0	0	0	0
$106	$108	18.70	14.60	11.00	7.30	3.70	0	0	0	0	0	0
$108	$110	19.00	15.00	11.30	7.70	4.00	.40	0	0	0	0	0
$110	$112	19.40	15.40	11.70	8.00	4.40	.70	0	0	0	0	0
$112	$114	19.80	15.80	12.00	8.40	4.70	1.10	0	0	0	0	0
$114	$116	20.20	16.20	12.40	8.70	5.00	1.40	0	0	0	0	0
$116	$118	20.50	16.50	12.70	9.00	5.40	1.70	0	0	0	0	0
$118	$120	20.90	16.90	13.00	9.40	5.70	2.10	0	0	0	0	0
$120	$124	21.50	17.50	13.60	9.90	6.20	2.60	0	0	0	0	0
$124	$128	22.20	18.20	14.20	10.60	6.90	3.30	0	0	0	0	0
$128	$132	23.00	19.00	15.00	11.30	7.60	4.00	.30	0	0	0	0
$132	$136	23.70	19.70	15.70	12.00	8.30	4.60	1.00	0	0	0	0
$136	$140	24.50	20.50	16.50	12.60	9.00	5.30	1.70	0	0	0	0
$140	$144	25.20	21.20	17.20	13.30	9.70	6.00	2.40	0	0	0	0
$144	$148	26.00	22.00	18.00	14.00	10.40	6.70	3.00	0	0	0	0
$148	$152	26.80	22.70	18.70	14.70	11.00	7.40	3.70	.10	0	0	0
$152	$156	27.50	23.50	19.50	15.40	11.70	8.10	4.40	.80	0	0	0
$156	$160	28.30	24.20	20.20	16.20	12.40	8.70	5.10	1.40	0	0	0
$160	$164	29.00	25.00	21.00	16.90	13.10	9.40	5.80	2.10	0	0	0
$164	$168	29.80	25.70	21.70	17.70	13.80	10.10	6.50	2.80	0	0	0
$168	$172	30.50	26.50	22.50	18.40	14.50	10.80	7.10	3.50	0	0	0
$172	$176	31.30	27.20	23.20	19.20	15.20	11.50	7.80	4.20	.50	0	0
$176	$180	32.00	28.00	24.00	20.00	15.90	12.20	8.50	4.90	1.20	0	0
$180	$184	32.80	28.70	24.70	20.70	16.70	12.90	9.20	5.50	1.90	0	0
$184	$188	33.50	29.50	25.50	21.50	17.40	13.50	9.90	6.20	2.60	0	0
$188	$192	34.30	30.30	26.20	22.20	18.20	14.20	10.60	6.90	3.30	0	0
$192	$196	35.00	31.00	27.00	23.00	19.00	14.90	11.30	7.60	3.90	.30	0
$196	$200	35.80	31.80	27.70	23.70	19.70	15.70	11.90	8.30	4.60	1.00	0
$200	$210	37.10	33.10	29.10	25.00	21.00	17.00	13.10	9.50	5.80	2.20	0
$210	$220	39.00	35.00	30.90	26.90	22.90	18.90	14.90	11.20	7.50	3.90	.20
$220	$230	40.90	36.80	32.80	28.80	24.80	20.80	16.70	12.90	9.20	5.60	1.90
$230	$240	42.70	38.70	34.70	30.70	26.70	22.60	18.60	14.60	11.00	7.30	3.60
$240	$250	44.60	40.60	36.60	32.60	28.50	24.50	20.50	16.50	12.70	9.00	5.40
$250	$260	46.50	42.50	38.50	34.40	30.40	26.40	22.40	18.40	14.40	10.70	7.10
$260	$270	48.40	44.40	40.30	36.30	32.30	28.30	24.20	20.20	16.20	12.40	8.80
$270	$280	50.30	46.20	42.20	38.20	34.20	30.20	26.10	22.10	18.10	14.10	10.50
$280	$290	52.10	48.10	44.10	40.10	36.10	32.00	28.00	24.00	20.00	16.00	12.20
$290	$300	54.00	50.00	46.00	42.00	37.90	33.90	29.90	25.90	21.90	17.90	13.90
$300	$320	56.80	52.80	48.80	44.80	40.80	36.70	32.70	28.70	24.70	20.70	16.70
$320	$340	60.60	56.60	52.60	48.50	44.50	40.50	36.50	32.50	28.50	24.40	20.40
$340	$360	64.40	60.40	56.30	52.30	48.30	44.30	40.30	36.20	32.20	28.20	24.20
$360	$380	68.10	64.10	60.10	56.10	52.10	48.00	44.00	40.00	36.00	32.00	27.90
$380	$400	71.90	67.90	63.90	59.80	55.80	51.80	47.80	43.80	39.70	35.70	31.70
		19 percent of the excess over $400 plus—										
$400 and over		73.80	69.80	65.70	61.70	57.70	53.70	49.70	45.60	41.60	37.60	33.60

If the pay-roll period with respect to an employee is semimonthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of the tax to be withheld shall be—										
$0	$22	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$22	$24	$3.90	0	0	0	0	0	0	0	0	0	0
$24	$26	4.30	.30	0	0	0	0	0	0	0	0	0
$26	$28	4.60	.70	0	0	0	0	0	0	0	0	0
$28	$30	5.00	1.00	0	0	0	0	0	0	0	0	0
$30	$32	5.30	1.30	0	0	0	0	0	0	0	0	0
$32	$34	5.60	1.70	0	0	0	0	0	0	0	0	0
$34	$36	6.00	2.00	0	0	0	0	0	0	0	0	0
$36	$38	6.30	2.40	0	0	0	0	0	0	0	0	0
$38	$40	6.70	2.70	0	0	0	0	0	0	0	0	0
$40	$42	7.00	3.10	0	0	0	0	0	0	0	0	0
$42	$44	7.40	3.40	0	0	0	0	0	0	0	0	0
$44	$46	7.70	3.70	0	0	0	0	0	0	0	0	0
$46	$48	8.00	4.10	.10	0	0	0	0	0	0	0	0
$48	$50	8.40	4.40	.50	0	0	0	0	0	0	0	0
$50	$52	8.70	4.80	.80	0	0	0	0	0	0	0	0
$52	$54	9.10	5.10	1.10	0	0	0	0	0	0	0	0
$54	$56	9.40	5.40	1.50	0	0	0	0	0	0	0	0
$56	$58	9.70	5.80	1.80	0	0	0	0	0	0	0	0
$58	$60	10.10	6.10	2.20	0	0	0	0	0	0	0	0
$60	$62	10.40	6.50	2.50	0	0	0	0	0	0	0	0
$62	$64	10.80	6.80	2.90	0	0	0	0	0	0	0	0
$64	$66	11.10	7.20	3.20	0	0	0	0	0	0	0	0
$66	$68	11.50	7.50	3.50	0	0	0	0	0	0	0	0
$68	$70	11.80	7.80	3.90	0	0	0	0	0	0	0	0
$70	$72	12.10	8.20	4.20	.30	0	0	0	0	0	0	0
$72	$74	12.50	8.50	4.60	.60	0	0	0	0	0	0	0
$74	$76	12.80	8.90	4.90	1.00	0	0	0	0	0	0	0
$76	$78	13.20	9.20	5.30	1.30	0	0	0	0	0	0	0
$78	$80	13.50	9.60	5.60	1.60	0	0	0	0	0	0	0
$80	$82	13.90	9.90	5.90	2.00	0	0	0	0	0	0	0
$82	$84	14.20	10.20	6.30	2.30	0	0	0	0	0	0	0
$84	$86	14.50	10.60	6.60	2.70	0	0	0	0	0	0	0
$86	$88	14.90	10.90	7.00	3.00	0	0	0	0	0	0	0
$88	$90	15.20	11.30	7.30	3.30	0	0	0	0	0	0	0
$90	$92	15.60	11.60	7.60	3.70	0	0	0	0	0	0	0
$92	$94	15.90	11.90	8.00	4.00	.10	0	0	0	0	0	0
$94	$96	16.30	12.30	8.30	4.40	.40	0	0	0	0	0	0
$96	$98	16.70	12.60	8.70	4.70	.80	0	0	0	0	0	0
$98	$100	17.00	13.00	9.00	5.10	1.10	0	0	0	0	0	0
$100	$102	17.40	13.30	9.40	5.40	1.40	0	0	0	0	0	0
$102	$104	17.80	13.70	9.70	5.70	1.80	0	0	0	0	0	0
$104	$106	18.20	14.00	10.00	6.10	2.10	0	0	0	0	0	0
$106	$108	18.50	14.30	10.40	6.40	2.50	0	0	0	0	0	0
$108	$110	18.90	14.70	10.70	6.80	2.80	0	0	0	0	0	0
$110	$112	19.30	15.00	11.10	7.10	3.10	0	0	0	0	0	0
$112	$114	19.70	15.40	11.40	7.40	3.50	0	0	0	0	0	0
$114	$116	20.00	15.70	11.70	7.80	3.80	0	0	0	0	0	0
$116	$118	20.40	16.10	12.10	8.10	4.20	.20	0	0	0	0	0
$118	$120	20.80	16.40	12.40	8.50	4.50	.60	0	0	0	0	0
$120	$124	21.40	17.00	12.90	9.00	5.00	1.10	0	0	0	0	0
$124	$128	22.10	17.80	13.60	9.70	5.70	1.80	0	0	0	0	0
$128	$132	22.90	18.50	14.30	10.40	6.40	2.40	0	0	0	0	0
$132	$136	23.60	19.30	15.00	11.00	7.10	3.10	0	0	0	0	0
$136	$140	24.40	20.00	15.70	11.70	7.80	3.80	0	0	0	0	0
$140	$144	25.10	20.80	16.40	12.40	8.40	4.50	.50	0	0	0	0
$144	$148	25.90	21.50	17.20	13.10	9.10	5.20	1.20	0	0	0	0
$148	$152	26.60	22.30	17.90	13.80	9.80	5.90	1.90	0	0	0	0
$152	$156	27.40	23.00	18.70	14.50	10.50	6.50	2.60	0	0	0	0
$156	$160	28.10	23.80	19.40	15.10	11.20	7.20	3.30	0	0	0	0
$160	$164	28.90	24.50	20.20	15.80	11.90	7.90	4.00	0	0	0	0
$164	$168	29.60	25.30	20.90	16.60	12.60	8.60	4.60	.70	0	0	0
$168	$172	30.40	26.00	21.70	17.30	13.20	9.30	5.30	1.40	0	0	0
$172	$176	31.10	26.80	22.40	18.10	13.90	10.00	6.00	2.00	0	0	0
$176	$180	31.90	27.50	23.20	18.80	14.60	10.60	6.70	2.70	0	0	0
$180	$184	32.60	28.30	23.90	19.60	15.30	11.30	7.40	3.40	0	0	0
$184	$188	33.40	29.00	24.70	20.30	16.00	12.00	8.10	4.10	.10	0	0
$188	$192	34.20	29.80	25.40	21.10	16.70	12.70	8.70	4.80	.80	0	0
$192	$196	34.90	30.60	26.20	21.80	17.50	13.40	9.40	5.50	1.50	0	0
$196	$200	35.70	31.30	27.00	22.60	18.20	14.10	10.10	6.10	2.20	0	0
$200	$210	37.00	32.60	28.30	23.90	19.60	15.30	11.20	7.30	3.40	0	0
$210	$220	38.90	34.50	30.10	25.80	21.40	17.10	13.00	9.10	5.10	1.10	0
$220	$230	40.70	36.40	32.00	27.70	23.30	19.00	14.70	10.80	6.80	2.90	0
$230	$240	42.60	38.30	33.90	29.60	25.20	20.80	16.50	12.50	8.50	4.60	.60
$240	$250	44.50	40.10	35.80	31.40	27.10	22.70	18.40	14.20	10.20	6.30	2.30
$250	$260	46.40	42.00	37.70	33.30	29.00	24.60	20.30	15.90	11.90	8.00	4.00
$260	$270	48.30	43.90	39.50	35.20	30.80	26.50	22.10	17.80	13.60	9.70	5.70
$270	$280	50.10	45.80	41.40	37.10	32.70	28.40	24.00	19.70	15.40	11.40	7.40
$280	$290	52.00	47.70	43.30	39.00	34.60	30.20	25.90	21.50	17.20	13.10	9.20
$290	$300	53.90	49.60	45.20	40.80	36.50	32.10	27.80	23.40	19.10	14.80	10.90
$300	$320	56.70	52.40	48.00	43.70	39.30	35.00	30.60	26.20	21.90	17.50	13.40
$320	$340	60.50	56.10	51.80	47.40	43.10	38.70	34.40	30.00	25.70	21.30	16.90
$340	$360	64.20	59.90	55.50	51.20	46.80	42.50	38.10	33.80	29.40	25.10	20.70
$360	$380	68.00	63.70	59.30	54.90	50.60	46.20	41.90	37.50	33.20	28.80	24.50
$380	$400	71.80	67.40	63.10	58.70	54.40	50.00	45.60	41.30	36.90	32.60	28.20
$400	$420	75.50	71.20	66.80	62.50	58.10	53.80	49.40	45.10	40.70	36.30	32.00
$420	$440	79.30	74.90	70.60	66.20	61.90	57.50	53.20	48.80	44.50	40.10	35.80
$440	$460	83.10	78.70	74.30	70.00	65.60	61.30	56.90	52.60	48.20	43.90	39.50
$460	$480	86.80	82.50	78.10	73.80	69.40	65.00	60.70	56.30	52.00	47.60	43.30
$480	$500	90.60	86.20	81.90	77.50	73.20	68.80	64.50	60.10	55.70	51.40	47.00
		19 percent of the excess over $500 plus—										
$500 and over		92.50	88.10	83.80	79.40	75.10	70.70	66.30	62.00	57.60	53.30	48.90

If the pay-roll period with respect to an employee is monthly

And the wages are—		And the number of withholding exemptions claimed is—										
At least—	But less than—	0	1	2	3	4	5	6	7	8	9	10 or more
		The amount of tax to be withheld shall be—										
$0	$44	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$44	$48	$7.90	0	0	0	0	0	0	0	0	0	0
$48	$52	8.60	.60	0	0	0	0	0	0	0	0	0
$52	$56	9.20	1.30	0	0	0	0	0	0	0	0	0
$56	$60	9.90	2.00	0	0	0	0	0	0	0	0	0
$60	$64	10.60	2.70	0	0	0	0	0	0	0	0	0
$64	$68	11.30	3.40	0	0	0	0	0	0	0	0	0
$68	$72	12.00	4.10	0	0	0	0	0	0	0	0	0
$72	$76	12.70	4.70	0	0	0	0	0	0	0	0	0
$76	$80	13.30	5.40	0	0	0	0	0	0	0	0	0
$80	$84	14.00	6.10	0	0	0	0	0	0	0	0	0
$84	$88	14.70	6.80	0	0	0	0	0	0	0	0	0
$88	$92	15.40	7.50	0	0	0	0	0	0	0	0	0
$92	$96	16.10	8.20	.20	0	0	0	0	0	0	0	0
$96	$100	16.80	8.80	.90	0	0	0	0	0	0	0	0
$100	$104	17.40	9.50	1.60	0	0	0	0	0	0	0	0
$104	$108	18.10	10.20	2.30	0	0	0	0	0	0	0	0
$108	$112	18.80	10.90	3.00	0	0	0	0	0	0	0	0
$112	$116	19.50	11.60	3.70	0	0	0	0	0	0	0	0
$116	$120	20.20	12.30	4.30	0	0	0	0	0	0	0	0
$120	$124	20.90	12.90	5.00	0	0	0	0	0	0	0	0
$124	$128	21.50	13.60	5.70	0	0	0	0	0	0	0	0
$128	$132	22.20	14.30	6.40	0	0	0	0	0	0	0	0
$132	$136	22.90	15.00	7.10	0	0	0	0	0	0	0	0
$136	$140	23.60	15.70	7.80	0	0	0	0	0	0	0	0
$140	$144	24.30	16.40	8.40	.50	0	0	0	0	0	0	0
$144	$148	25.00	17.00	9.10	1.20	0	0	0	0	0	0	0
$148	$152	25.70	17.70	9.80	1.90	0	0	0	0	0	0	0
$152	$156	26.30	18.40	10.50	2.60	0	0	0	0	0	0	0
$156	$160	27.00	19.10	11.20	3.30	0	0	0	0	0	0	0
$160	$164	27.70	19.80	11.90	4.00	0	0	0	0	0	0	0
$164	$168	28.40	20.50	12.60	4.60	0	0	0	0	0	0	0
$168	$172	29.10	21.20	13.20	5.30	0	0	0	0	0	0	0
$172	$176	29.80	21.80	13.90	6.00	0	0	0	0	0	0	0
$176	$180	30.40	22.50	14.60	6.70	0	0	0	0	0	0	0
$180	$184	31.10	23.20	15.30	7.40	0	0	0	0	0	0	0
$184	$188	31.80	23.90	16.00	8.10	.10	0	0	0	0	0	0
$188	$192	32.60	24.60	16.70	8.70	.80	0	0	0	0	0	0
$192	$196	33.30	25.30	17.30	9.40	1.50	0	0	0	0	0	0
$196	$200	34.10	25.90	18.00	10.10	2.20	0	0	0	0	0	0
$200	$204	34.80	26.60	18.70	10.80	2.90	0	0	0	0	0	0
$204	$208	35.60	27.30	19.40	11.50	3.60	0	0	0	0	0	0
$208	$212	36.30	28.00	20.10	12.20	4.20	0	0	0	0	0	0
$212	$216	37.10	28.70	20.80	12.80	4.90	0	0	0	0	0	0
$216	$220	37.80	29.40	21.40	13.50	5.60	0	0	0	0	0	0
$220	$224	38.60	30.00	22.10	14.20	6.30	0	0	0	0	0	0
$224	$228	39.30	30.70	22.80	14.90	7.00	0	0	0	0	0	0
$228	$232	40.10	31.40	23.50	15.60	7.70	0	0	0	0	0	0
$232	$236	40.80	32.10	24.20	16.30	8.30	.40	0	0	0	0	0
$236	$240	41.60	32.90	24.90	16.90	9.00	1.10	0	0	0	0	0
$240	$248	42.70	34.00	25.90	18.00	10.10	2.10	0	0	0	0	0
$248	$256	44.20	35.50	27.30	19.30	11.40	3.50	0	0	0	0	0
$256	$264	45.70	37.00	28.60	20.70	12.80	4.90	0	0	0	0	0
$264	$272	47.20	38.50	30.00	22.10	14.20	6.20	0	0	0	0	0
$272	$280	48.70	40.00	31.40	23.40	15.50	7.60	0	0	0	0	0
$280	$288	50.20	41.50	32.80	24.80	16.90	9.00	1.10	0	0	0	0
$288	$296	51.80	43.00	34.30	26.20	18.30	10.30	2.40	0	0	0	0
$296	$304	53.30	44.50	35.80	27.60	19.60	11.70	3.80	0	0	0	0
$304	$312	54.80	46.10	37.30	28.90	21.00	13.10	5.20	0	0	0	0
$312	$320	56.30	47.60	38.90	30.30	22.40	14.50	6.50	0	0	0	0
$320	$328	57.80	49.10	40.40	31.70	23.70	15.80	7.90	0	0	0	0
$328	$336	59.30	50.60	41.90	33.20	25.10	17.20	9.30	1.40	0	0	0
$336	$344	60.80	52.10	43.40	34.70	26.50	18.60	10.60	2.70	0	0	0
$344	$352	62.30	53.60	44.90	36.20	27.80	19.90	12.00	4.10	0	0	0
$352	$360	63.80	55.10	46.40	37.70	29.20	21.30	13.40	5.50	0	0	0
$360	$368	65.30	56.60	47.90	39.20	30.60	22.70	14.70	6.80	0	0	0
$368	$376	66.80	58.10	49.40	40.70	32.00	24.00	16.10	8.20	.30	0	0
$376	$384	68.30	59.60	50.90	42.20	33.50	25.40	17.50	9.60	1.60	0	0
$384	$392	69.80	61.10	52.40	43.70	35.00	26.80	18.80	10.90	3.00	0	0
$392	$400	71.30	62.60	53.90	45.20	36.50	28.10	20.20	12.30	4.40	0	0
$400	$420	73.90	65.20	56.50	47.80	39.10	30.50	22.60	14.70	6.80	0	0
$420	$440	77.70	69.00	60.30	51.60	42.90	34.20	26.00	18.10	10.20	2.30	0
$440	$460	81.50	72.80	64.10	55.30	46.60	37.90	29.50	21.50	13.60	5.70	0
$460	$480	85.20	76.50	67.80	59.10	50.40	41.70	33.00	25.00	17.00	9.10	1.20
$480	$500	89.00	80.30	71.60	62.90	54.20	45.50	36.70	28.40	20.50	12.50	4.60
$500	$520	92.80	84.10	75.30	66.60	57.90	49.20	40.50	31.80	23.90	16.00	8.00
$520	$540	96.50	87.80	79.10	70.40	61.70	53.00	44.30	35.60	27.30	19.40	11.50
$540	$560	100.30	91.60	82.90	74.20	65.50	56.70	48.00	39.30	30.70	22.80	14.90
$560	$580	104.00	95.30	86.60	77.90	69.20	60.50	51.80	43.10	34.40	26.20	18.30
$580	$600	107.80	99.10	90.40	81.70	73.00	64.30	55.60	46.90	38.10	29.60	21.70
$600	$640	113.40	104.70	96.00	87.30	78.60	69.90	61.20	52.50	43.80	35.10	26.90
$640	$680	121.00	112.30	103.60	94.80	86.10	77.40	68.70	60.00	51.30	42.60	33.90
$680	$720	128.50	119.80	111.10	102.40	93.70	85.00	76.20	67.50	58.80	50.10	41.40
$720	$760	136.00	127.30	118.60	109.90	101.20	92.50	83.80	75.10	66.40	57.60	48.90
$760	$800	143.50	134.80	126.10	117.40	108.70	100.00	91.30	82.60	73.90	65.20	56.50
$800	$840	151.10	142.40	133.70	124.90	116.20	107.50	98.80	90.10	81.40	72.70	64.00
$840	$880	158.60	149.90	141.20	132.50	123.80	115.10	106.30	97.60	88.90	80.20	71.50
$880	$920	166.10	157.40	148.70	140.00	131.30	122.60	113.90	105.20	96.50	87.70	79.00
$920	$960	173.60	164.90	156.20	147.50	138.80	130.10	121.40	112.70	104.00	95.30	86.60
$960	$1,000	181.20	172.50	163.80	155.00	146.30	137.60	128.90	120.20	111.50	102.80	94.10
		19 percent of the excess over $1,000 plus—										
$1,000 and over		184.90	176.20	167.50	158.80	150.10	141.40	132.70	124.00	115.30	106.60	97.90

If the pay-roll period with respect to an employee is a daily pay-roll period or a miscellaneous pay-roll period

And the wages divided by the number of days in such period are—		And the number of withholding exemptions claimed is—										
		0	1	2	3	4	5	6	7	8	9	10 or more
At least—	But less than—	The amount of tax to be withheld shall be the following amount multiplied by the number of days in such period										
$0	$1.50	17% of wages	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
$1.50	$1.75	$0.30	0	0	0	0	0	0	0	0	0	0
$1.75	$2.00	.30	.05	0	0	0	0	0	0	0	0	0
$2.00	$2.25	.35	.10	0	0	0	0	0	0	0	0	0
$2.25	$2.50	.40	.15	0	0	0	0	0	0	0	0	0
$2.50	$2.75	.45	.20	0	0	0	0	0	0	0	0	0
$2.75	$3.00	.50	.25	0	0	0	0	0	0	0	0	0
$3.00	$3.25	.55	.25	0	0	0	0	0	0	0	0	0
$3.25	$3.50	.60	.30	.05	0	0	0	0	0	0	0	0
$3.50	$3.75	.60	.35	.10	0	0	0	0	0	0	0	0
$3.75	$4.00	.65	.40	.15	0	0	0	0	0	0	0	0
$4.00	$4.25	.70	.45	.20	0	0	0	0	0	0	0	0
$4.25	$4.50	.75	.50	.25	0	0	0	0	0	0	0	0
$4.50	$4.75	.80	.55	.25	0	0	0	0	0	0	0	0
$4.75	$5.00	.85	.55	.30	.05	0	0	0	0	0	0	0
$5.00	$5.25	.90	.60	.35	.10	0	0	0	0	0	0	0
$5.25	$5.50	.90	.65	.40	.15	0	0	0	0	0	0	0
$5.50	$5.75	.95	.70	.45	.20	0	0	0	0	0	0	0
$5.75	$6.00	1.00	.75	.50	.20	0	0	0	0	0	0	0
$6.00	$6.25	1.05	.80	.55	.25	0	0	0	0	0	0	0
$6.25	$6.50	1.10	.85	.55	.30	.05	0	0	0	0	0	0
$6.50	$6.75	1.15	.85	.60	.35	.10	0	0	0	0	0	0
$6.75	$7.00	1.20	.90	.65	.40	.15	0	0	0	0	0	0
$7.00	$7.25	1.25	.95	.70	.45	.20	0	0	0	0	0	0
$7.25	$7.50	1.30	1.00	.75	.50	.20	0	0	0	0	0	0
$7.50	$7.75	1.35	1.05	.80	.50	.25	0	0	0	0	0	0
$7.75	$8.00	1.40	1.10	.85	.55	.30	.05	0	0	0	0	0
$8.00	$8.25	1.40	1.15	.85	.60	.35	.10	0	0	0	0	0
$8.25	$8.50	1.45	1.20	.90	.65	.40	.15	0	0	0	0	0
$8.50	$8.75	1.50	1.25	.95	.70	.45	.15	0	0	0	0	0
$8.75	$9.00	1.55	1.30	1.00	.75	.50	.20	0	0	0	0	0
$9.00	$9.25	1.60	1.35	1.05	.80	.50	.25	0	0	0	0	0
$9.25	$9.50	1.65	1.35	1.10	.80	.55	.30	.05	0	0	0	0
$9.50	$9.75	1.70	1.40	1.15	.85	.60	.35	.10	0	0	0	0
$9.75	$10.00	1.75	1.45	1.20	.90	.65	.40	.15	0	0	0	0
$10.00	$10.50	1.80	1.55	1.25	.95	.70	.45	.20	0	0	0	0
$10.50	$11.00	1.90	1.65	1.35	1.05	.80	.55	.30	0	0	0	0
$11.00	$11.50	2.00	1.75	1.45	1.15	.90	.60	.35	.10	0	0	0
$11.50	$12.00	2.10	1.80	1.55	1.25	.95	.70	.45	.20	0	0	0
$12.00	$12.50	2.20	1.90	1.65	1.35	1.05	.80	.55	.25	0	0	0
$12.50	$13.00	2.30	2.00	1.70	1.45	1.15	.90	.60	.35	.10	0	0
$13.00	$13.50	2.40	2.10	1.80	1.55	1.25	.95	.70	.45	.20	0	0
$13.50	$14.00	2.50	2.20	1.90	1.60	1.35	1.05	.80	.55	.25	0	0
$14.00	$14.50	2.60	2.30	2.00	1.70	1.45	1.15	.90	.60	.35	.10	0
$14.50	$15.00	2.65	2.40	2.10	1.80	1.50	1.25	.95	.70	.45	.20	0
$15.00	$15.50	2.75	2.50	2.20	1.90	1.60	1.35	1.05	.80	.55	.25	0
$15.50	$16.00	2.85	2.55	2.30	2.00	1.70	1.45	1.15	.85	.60	.35	.10
$16.00	$16.50	2.95	2.65	2.40	2.10	1.80	1.50	1.25	.95	.70	.45	.20
$16.50	$17.00	3.05	2.75	2.45	2.20	1.90	1.60	1.35	1.05	.80	.50	.25
$17.00	$17.50	3.15	2.85	2.55	2.30	2.00	1.70	1.40	1.15	.85	.60	.35
$17.50	$18.00	3.25	2.95	2.65	2.40	2.10	1.80	1.50	1.25	.95	.70	.45
$18.00	$18.50	3.35	3.05	2.75	2.45	2.20	1.90	1.60	1.30	1.05	.80	.50
$18.50	$19.00	3.40	3.15	2.85	2.55	2.30	2.00	1.70	1.40	1.15	.85	.60
$19.00	$19.50	3.50	3.25	2.95	2.65	2.35	2.10	1.80	1.50	1.25	.95	.70
$19.50	$20.00	3.60	3.30	3.05	2.75	2.45	2.20	1.90	1.60	1.30	1.05	.75
$20.00	$21.00	3.75	3.45	3.20	2.90	2.60	2.30	2.05	1.75	1.45	1.20	.90
$21.00	$22.00	3.95	3.65	3.35	3.10	2.80	2.50	2.20	1.95	1.65	1.35	1.10
$22.00	$23.00	4.15	3.85	3.55	3.25	3.00	2.70	2.40	2.10	1.85	1.55	1.25
$23.00	$24.00	4.30	4.05	3.75	3.45	3.15	2.90	2.60	2.30	2.05	1.75	1.45
$24.00	$25.00	4.50	4.20	3.95	3.65	3.35	3.05	2.80	2.50	2.20	1.95	1.65
$25.00	$26.00	4.70	4.40	4.10	3.85	3.55	3.25	2.95	2.70	2.40	2.10	1.85
$26.00	$27.00	4.90	4.60	4.30	4.00	3.75	3.45	3.15	2.90	2.60	2.30	2.00
$27.00	$28.00	5.05	4.80	4.50	4.20	3.90	3.65	3.35	3.05	2.80	2.50	2.20
$28.00	$29.00	5.25	4.95	4.70	4.40	4.10	3.80	3.55	3.25	2.95	2.70	2.40
$29.00	$30.00	5.45	5.15	4.85	4.60	4.30	4.00	3.75	3.45	3.15	2.85	2.60
		19 percent of the excess over $30 plus—										
$30.00 and over		5.55	5.25	4.95	4.70	4.40	4.10	3.80	3.55	3.25	2.95	2.70

The amendment was agreed to.

The next amendment was, on page 23, after line 2, to insert:

(d) Withholding statements:

(1) Section 1625 (a) (relating to withholding receipts) is amended by inserting after "required to deduct and withhold a tax in respect of the wages of an employee" the following: ", or who would have been so required if the employee had claimed no more than one withholding exemption,".

(2) Section 1626 (a) and (b) (relating to penalties in connection with withholding receipts) are amended (A) by striking out "in respect of tax withheld pursuant to this subchapter" in each of such subsections, and (B) by striking out "receipt" wherever appearing therein and inserting in lieu thereof "statement."

The amendment was agreed to.

The next amendment was, under the subhead "Part II—Corporation taxes," on page 23, after line 19, to strike out the following section:

SEC. 121. Decrease in corporation surtax.

(a) In general: Section 15 (b) (relating to the corporation surtax) is amended to read as follows:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a Western Hemisphere trade corporation as defined in section 109, and except a corporation subject to a tax imposed by section 231 (a), Supplement G or Supplement Q) a surtax as follows:

"(1) Surtax net incomes not over $25,000.—Upon corporation surtax net incomes not over $25,000, 6 percent of the amount thereof.

"(2) Surtax net incomes over $25,000 but not over $50,000.—Upon corporation surtax net incomes over $25,000, but not over $50,000, $1,500 plus 18 percent of the amount of the corporation surtax net income over $25,000.

"(3) Surtax net incomes over $50,000.—Upon corporation surtax net incomes over $50,000, 12 percent of the corporation surtax net income."

(b) Mutual insurance companies other than life or marine: Section 207 (a) (relating to mutual insurance companies, other than life or marine) is amended (a) by striking out "20 percent" in paragraph (1) (B), and inserting in lieu thereof "12 percent"; and (b) by striking out "32 percent" in paragraph (3) (B), and inserting in lieu thereof "24 percent."

(c) Regulated investment companies: Section 362 (b) (4) (relating to the surtax on

regulated investment companies) is amended by striking out "16 percent" and inserting in lieu thereof "12 percent."

(d) Taxable years to which applicable: The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1945. For treatment of taxable years beginning in 1945 and ending in 1946, see section 131.

The amendment was agreed to.

The next amendment was, on page 25, after line 7, to insert the following section:

SEC. 121. Reduction in normal tax and surtax of special classes of corporations.

(a) Normal tax: Section 13 (b) (relating to the normal tax on corporations) is amended to read as follows:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the normal-tax net income of every corporation the normal-tax net income of which is more than $25,000 (except a corporation subject to the tax imposed by section 14, section 231 (a), supplement G, or supplement Q) whichever of the following taxes is the lesser:

"(1) General rule: A tax of 24 percent of the normal-tax net income; or

"(2) Alternative tax (corporations with normal-tax net incomes over $25,000, but not over $60,000): A tax of $4,250, plus 29 percent of the amount of the normal-tax net income in excess of $25,000."

(b) Special classes of corporations: Section 14 (b) (relating to normal tax on corporations with net incomes of not more than $25,000) is amended to read as follows:

"(b) Corporations with normal-tax net incomes of not more than $25,000: If the normal-tax net income of the corporation is not more than $25,000, and if the corporation does not come within one of the classes specified in subsection (c), (d), or (e) of this section, the tax shall be as follows:

"Upon normal-tax net incomes not in excess of $10,000, 15 percent.

"Upon normal-tax net incomes in excess of $10,000 and not in excess of $20,000, $1,500 plus 18 percent of the excess over $10,000.

"Upon normal-tax net incomes in excess of $20,000, and not in excess of $25,000, $3,300 plus 19 percent of the excess over $20,000."

(c) Section 15 (b) (relating to the corporation surtax) is amended to read as follows:

"(b) Imposition of tax: There shall be levied, collected, and paid for each taxable year upon the corporation surtax net income of every corporation (except a Western Hemisphere trade corporation as defined in section 109, and except a corporation subject to the tax imposed by section 231 (a), supplement G, or supplement Q), a surtax as follows:

"(1) Surtax net incomes not over $25,000: If the corporation surtax net income is not more than $25,000, the tax shall be as follows:

"Upon corporation surtax net incomes not in excess of $10,000, 5 percent.

"Upon corporation surtax net incomes in excess of $10,000 and not in excess of $20,000, $500 plus 9 percent of the excess over $10,000.

"Upon corporation surtax net incomes in excess of $20,000 and not in excess of $25,000, $1,400, plus 10 percent of the excess over $20,000.

"(2) Surtax net incomes over $25,000 but not over $60,000: Upon corporation surtax net incomes over $25,000 but not over $60,000, the tax shall be $1,900, plus 22 percent of the amount of the corporation surtax net income over $25,000.

"(3) Surtax net incomes over $60,000: Upon corporation surtax net incomes over $60,000, the tax shall be 16 percent of the corporation surtax net income."

(d) Mutual insurance companies other than life or marine: Section 207 (a) (relating to mutual insurance companies, other than life or marine) is amended by striking out "20 percent" in paragraph (1) (B), and inserting in lieu thereof "10 percent."

(e) Taxable years to which applicable: The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1945. For treatment of taxable years beginning in 1945 and ending in 1946, see section 131.

The amendment was agreed to.

The next amendment was, on page 28, after line 10, to strike out the following section:

SEC. 122. Reduction in excess-profits tax for 1946.

(a) Reduction in rate: Section 710 (a) (1) (imposing the excess-profits tax) is amended to read as follows:

"(1) General rule: There shall be levied, collected, and paid, for each taxable year, upon the adjusted excess-profits net income, as defined in subsection (b), of every corporation (except a corporation exempt under section 727) a tax of 60 percent of the adjusted excess-profits net income."

(b) Deferment of payment in case of abnormality eliminated:

(1) Section 710 (a) (5) (permitting deferment of tax in cases of abnormality) is repealed.

(2) Section 722 (d) (relating to general relief) is amended by striking out ", except as provided in section 710 (a) (5)."

(c) Repeal of 10 percent credit against excess-profits tax: Section 784 (providing a 10-percent credit against excess-profits tax) is repealed.

(d) Technical amendment. Section 26 (e) (relating to the credit for income subject to the excess-profits tax) is amended—

(1) by striking out "95 percent" and inserting in lieu thereof: "60 percent"; and

(2) by striking out "without regard to the limitation provided in section 710 (a) (1) (B) (the 80-percent limitation),".

(c) Taxable years to which applicable: The amendments and repeals made by this section shall be applicable with respect to taxable years beginning after December 31, 1945. For treatment of taxable years beginning in 1945 and ending in 1946, see section 131.

The amendment was agreed to.

The next amendment was, on page 29, line 20, to change the section number from "123" to "122", and in the same line after the word "in", to strike out "1947" and insert "1946."

The amendment was agreed to.

The next amendment was, on page 29, after line 20, to strike out:

(a) In general: Effective with respect to taxable years beginning after December 31, 1946, subchapter E of chapter 2 (relating to the excess-profits tax) is repealed.

The amendment was agreed to.

The next amendment was, on page 29, after line 23, to insert:

(a) In general: The provisions of subchapter E of chapter 2 shall not apply to any taxable year beginning after December 31, 1945.

The amendment was agreed to.

The next amendment was, on page 30, after line 2, to insert:

(b) Carry-backs from years after 1945, etc.: Despite the provisions of subsection (a) of this section the provisions of subchapter E of chapter 2 shall remain in force for the purposes of the determination of the taxes imposed by such subchapter for taxable years beginning before January 1, 1946, such determination to be made as if subsection (a) had not been enacted but with the application of the amendments made by subsection (c) of this section and section 131 of this act.

The amendment was agreed to.

The next amendment was, on page 30, after line 11, to insert:

(c) Unused excess-profits credit for taxable year beginning after December 31, 1945: Section 710 (c) (2) (defining the unused excess-profits credit) is amended by inserting at the end thereof a new sentence reading as follows: "There shall be no unused excess-profits credit for a taxable year beginning after December 31, 1946. The unused excess-profits credit for a taxable year beginning in 1946 and ending in 1947 shall be an amount which is such part of the unused excess-profits credit determined under the preceding provisions of this paragraph as the number of days in such taxable year prior to January 1, 1947, is of the total number of days in such taxable year."

The amendment was agreed to.

The next amendment was, on page 30, after line 23, to insert:

(d) Affiliated groups: Subsection (b) shall be applied in the case of corporations making or required to make a consolidated return under chapter 1 for any taxable year beginning after December 31, 1945, and in the case of a corporation making a separate return for any such taxable year which was a member of a group which made or was required to make a consolidated return for any prior taxable year, in such manner as may be prescribed in regulations prescribed by the Commissioner with the approval of the Secretary prior to the last day prescribed by law for the making of the return for the year beginning after December 31, 1945.

The amendment was agreed to.

The next amendment was, on page 31, after line 10, to insert:

(e) Claims for refund based on carry-backs:

(1) In general: The first sentence of section 322 (b) (6) (relating to periods of limitation with respect to claims for refund based on carry-backs) is amended to read as follows: "If the claim for credit or refund relates to an overpayment attributable to a net operating loss carry-back or to an unused excess profits credit carry-back, in lieu of the 3-year period of limitation prescribed in paragraph (1), the period shall be that period which ends with the expiration of the 15th day of the 39th month following the end of the taxable year of the net operating loss or the unused excess-profits credit which results in such carry-back, or the period prescribed in paragraph (3) in respect of such taxable year, whichever expires later."

The amendment was agreed to.

The next amendment was, at top of page 32, to insert:

(2) Taxable years to which applicable: The amendment made by this subsection shall be applicable to claims for credit or refund with respect to taxable years beginning after December 31, 1940.

The amendment was agreed to.

The next amendment was, on page 32, after line 4, to insert:

(f) Deficiencies attributable to carry-backs:

(1) Section 276 (d) is amended to read as follows:

"(d) Net operating loss carry-backs and unused excess profits credit carry-backs. In the case of a deficiency attributable to the application to the taxpayer of a net operating loss carry-back or an unused excess profits credit carry-back, including deficiencies which may be assessed pursuant to the provisions of section 3780 (b) or (c), such deficiency may be assessed—

"(1) in case a return was required under subchapter E of chapter 2 for the taxable year of the net operating loss or unused excess profits credit resulting in the carry-

back, at any time before the expiration of the period within which (under section 275 or subsection (a) or (b) of this section) a deficiency (with respect to tax imposed either by chapter 1 or by subchapter B or E of chapter 2) for such taxable year (whichever is the longer period) may be assessed; or

"(2) in case a return was not required under subchapter E of chapter 2 for the taxable year of the net operating loss or unused excess profits credit resulting in the carryback, at any time before the expiration of the period within which (under section 275 or subsection (a) or (b) of this section) a deficiency (with respect to tax imposed either by chapter 1 or by subchapter A or B of chapter 2) for such taxable year (whichever is the longer period) may be assessed."

The amendment was agreed to.

The next amendment was, on page 33, after line 7, to insert:

(2) Effective date: The amendment made by this subsection shall be applicable with respect to all taxable years beginning after December 31, 1940.

The amendment was agreed to.

The next amendment was, on page 33, line 11, before the word "Technical", to strike out "(b)" and insert "(g)", and in line 12 after "December 31", to strike out "1946" and insert "1945."

The amendment was agreed to.

The next amendment was, on page 35, after line 5, to strike out:

(c) Fiscal year taxpayers: For application of subchapter E of chapter 2 to taxable years beginning in 1946 and ending in 1947, see section 131.

The amendment was agreed to.

The next amendment was, on page 35, after line 8, to insert:

(h) Fiscal year taxpayers: For taxable years beginning in 1945 and ending in 1946, see section 131.

The amendment was agreed to.

The next amendment was, under the subhead "Part III—Fiscal year taxpayers" in section 131, on page 36, after line 8, to strike out:

"(d) Corporation taxable years beginning in 1946 and ending in 1947: In the case of a taxable year beginning in 1946 and ending in 1947, the tax imposed by sections 13, 14, and 15, shall be an amount equal to the sum of—

"(1) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1946, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1947, bears to the total number of days in such taxable year, plus

"(2) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1947, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1946, bears to the total number of days in such taxable year."

The amendment was agreed to.

The next amendment was, on page 37, after line 4, to strike out:

"(7) Taxable years beginning in 1945 and ending in 1946: In the case of a taxable year beginning in 1945 and ending in 1946, the tax shall be an amount equal to the sum of—

"(A) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1945, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1946, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1946, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1945, bears to the total number of days in such taxable year.

"(8) Taxable years beginning in 1946 and ending in 1947: In the case of a taxable year beginning in 1946 and ending in 1947, the tax shall be an amount equal to that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1946, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1947, bears to the total number of days in such taxable year."

The amendment was agreed to.

The next amendment was, on page 38, after line 4, to insert:

"(7) Taxable years beginning in 1945 and ending in 1946: In the case of a taxable year beginning in 1945 and ending in 1946, the tax shall be an amount equal to that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1945, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1946, bears to the total number of days in such taxable year."

The amendment was agreed to.

The next amendment was, on page 38, after line 14, to strike out:

(A) Section 710 (b) (1) (relating to the specific exemption) is amended by striking out "except that in the case of a taxable year beginning in 1945 and ending in 1946, the specific exemption shall be an amount equal to the sum of (A) an amount which bears the same relation to $10,000 which the number of days in such taxable year prior to January 1, 1946, bears to the total number of days in such taxable year and (B) an amount which bears the same relation to $25,000 which the number of days in such taxable year after December 31, 1945, bears to the total number of days in such taxable year;".

(B) Section 2 (d) of the Tax Adjustment Act of 1945 is amended by striking out ", and to taxable years beginning in 1945 and ending in 1946."

And insert:

(A) Section 2 (c) of the Tax Adjustment Act of 1945 (relating to the specific exemption) is repealed as of the date of its enactment.

(B) Section 710 (b) (1) (relating to the specific exemption) is restored to read as such paragraph read immediately prior to the enactment of the Tax Adjustment Act of 1945, to be effective, as so restored, as if section 2 (a) of the Tax Adjustment Act of 1945 had not been enacted.

Mr. VANDENBERG. Mr. President, I ask unanimous consent that this amendment be temporarily passed over, because I am advised that an amendment which I propose presently to offer requires action before action is taken on the committee amendment.

Mr. GEORGE. That is agreeable, Mr. President.

The PRESIDING OFFICER. Without objection, the amendment will be passed over

Mr. GEORGE. Before the clerk proceeds, I ask unanimous consent to recur to the committee amendment on page 28, line 5. I ask unanimous consent that the vote by which the committee amendment was agreed to be reconsidered, in order that I may offer a technical amendment suggested by the Treasury at that point.

The PRESIDING OFFICER. Without objection, the vote by which the committee amendment at the top of page 28 was agreed to, is reconsidered.

Mr. GEORGE. Mr. President, I offer an amendment to the committee amendment on page 28, line 5, after the word "thereof", to strike out "10" and insert "18." It is merely to correct a technical error.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Georgia to the committee amendment on page 28, line 5.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The PRESIDING OFFICER. The clerk will state the next committee amendment.

The next amendment was, on page 39, after line 16, to strike out:

(3) Unused excess-profits credit for taxable year beginning in 1946 and ending in 1947: Section 710 (c) (2) (defining the unused excess-profits credit) is amended by inserting at the end thereof a new sentence reading as follows: "The unused excess-profits credit for a taxable year beginning in 1946 and ending in 1947 shall be an amount which is such part of the unused excess-profits credit determined under the preceding provisions of this paragraph as the number of days in such taxable year prior to Janaury 1, 1947, is of the total number of days in such taxable year."

The amendment was agreed to.

The next amendment was, on page 40, after line 4, to insert:

PART IV—VETERANS' AND SERVICEMEN'S PROVISIONS

SEC. 141. Additional allowance for military and naval personnel.

(a) In general: Section 22 (b) (13) (relating to the exclusion from gross income for military and naval personnel) is amended to read as follows:

"(13) Additional allowance for military and naval personnel:

"(A) In the case of compensation received during any taxable year and before the termination of the present war as proclaimed by the President, for active service as a commissioned officer (or a commissioned warrant officer) in the military or naval forces of the United States during such war, or, in the case of a citizen or resident of the United States, as a member of the military or naval forces of any of the other United Nations during such war, so much of such compensation as does not exceed $1,500.

"(B) Compensation received during any taxable year and before the termination of the present war as proclaimed by the President, for active service as a member below the grade of commissioned officer (or commissioned warrant officer) in the military or naval forces of the United States during such war."

(b) Taxable years to which applicable: Subparagraph (A) of section 22 (b) (13), as amended by subsection (a) of this section, shall be applicable with respect to taxable years beginning after December 31, 1942; subparagraph (B) thereof shall be applicable with respect to taxable years beginning after December 31, 1940.

(c) Credits or refunds for 1941 and 1942: If at any time prior to January 1, 1947, the

allowance of a credit or refund of an overpayment of the tax for any taxable year beginning after December 31, 1940, and before January 1, 1943, is otherwise prevented by the operation of any law or rule of law (other than section 3761, relating to compromises), a credit or refund of the overpayment of such tax to the extent that the overpayment is attributable to the enactment of this section may, nevertheless, be allowed or made if a claim therefor is filed before January 1, 1947.

The amendment was agreed to.

The next amendment was, at the top of page 42, to insert:

"SEC. 142. Deferment of certain taxes of veterans and servicemen.

(a) In general: Chapter 38 (miscellaneous provisions) is amended by inserting at the end thereof a new section reading as follows:

"SEC. 3808. Deferment of tax attributable to service pay for commissioned service and of tax attributable to pre-service earned income.

"(a) Definitions: As used in this section—

"(1) Tax attributable to service pay: The term 'tax attributable to service pay' means—

"(A) in the case of a war year for which the taxpayer had no gross income other than compensation for active service as a member of the military or naval forces of the United States, the tax imposed under chapter 1 for such year; or

"(B) in the case of a war year for which the taxpayer had gross income in addition to compensation for active service as a member of the military or naval forces of the United States, the excess of the tax imposed under chapter 1 for such year over the tax that would have been imposed if such compensation had been excluded from gross income;

except that in the case of a commissioned officer (or a commissioned warrant officer) of the regular component of the Army, Navy, Marine Corps, or Coast Guard, such term shall not apply to any war year unless a period of time has been disregarded under section 3804 with respect to the tax under chapter 1 for such year.

"(2) War year: The term 'war year'—

"(A) when used with respect to the tax attributable to service pay means any taxable year beginning after December 31, 1939, and before January 1, 1947; and

"(B) when used with respect to the tax attributable to pre-service earned income means any taxable year beginning after December 31, 1939, but before January 1, 1942, and before the taxpayer entered upon active service as a member of the military or naval forces of the United States, but does not include any year unless part of the tax imposed by chapter 1 for such year became due and payable after the taxpayer entered upon such active service.

"(3) Tax attributable to pre-service earned income: The term 'tax attributable to pre-service earned income' means the excess of the tax imposed by chapter 1 for any war year over the tax that would have been imposed for such year if there had been excluded from the net income for such year the amount of the earned net income (as such term was defined in section 25 (a) (4) as in force with respect to such year, except that in computing such earned net income, compensation for active service in such forces shall be disregarded).

"(4) First installment date: The term 'first installment date' means May 15, 1946, in the case of taxpayers released from active duty in the military or naval forces of the United States prior to December 1, 1945; and in other cases June 15, 1947, or the 15th day of the sixth month which begins after the date of the taxpayer's release from active duty in such forces, whichever is the earlier; except that, if the first installment date with respect to any war year would otherwise occur earlier than the 15th day of the third month following the close of such year, or earlier than the end of the period of time disregarded under section 3804 with respect to the tax for such year, the first installment date with respect to such year shall be the 15th day of such third month, or the day following the end of such period, as the case may.

"(b) Extension of time for payment: Upon application with respect to any war year, made prior to the first installment date, and under regulations prescribed by the Commissioner with the approval of the Secretary—

"(1) the time for payment of an amount of the tax for such year which is equal to the tax attributable to service pay for such year and which has not been paid before the filing of such application; and

"(2) the time for the payment of an amount of the tax for such year which is equal to the tax attributable to preservice earned income for such year and which has not been paid before the filing of such application,

shall, in lieu of the time otherwise applicable, be as follows: one-twelfth thereof on the first installment date and an additional twelfth thereof every 3 months thereafter until such tax is paid.

"(c) Suspension of period of limitation: The running of the period of limitation provided in section 276 (c) (relating to the collection of the tax after assessment) in respect of any tax the time for the payment of which is prescribed under subsection (b), shall be suspended for the period beginning with the date of the filing of the application under such subsection and ending 6 months after the date prescribed therein for the payment of the last installment of such tax."

(b) Refund of interest paid: Any interest paid prior to the date of the enactment of this act with respect to tax attributable to service pay, or with respect to tax attributable to preservice earned income, shall be credited or refunded if claim therefor is filed with the Commissioner prior to January 1, 1947.

The amendment was agreed to.

The next amendment was, on page 46, after line 4, to insert:

PART V—MISCELLANEOUS

SEC. 151. Reports of refunds and credits to Joint Committee on Internal Revenue Taxation.

Section 3777 (c) (relating to refunds and credits with respect to tentative carry-back adjustments) is amended by striking out in the heading "Carry-back," and by inserting after "section 3780 (b)" the following: "or under section 124 (k)."

The amendment was agreed to.

The next amendment was, on page 46, after line 12, to insert:

SEC. 152. Extension of treatment of income resulting from discharge of indebtedness.

Section 22 (b) (9) and (10) (relating to the exclusion of income from the discharge of indebtedness) are amended by striking out "1945" in each of such paragraphs and inserting in lieu thereof "1946."

The amendment was agreed to.

The next amendment was, on page 46, after line 18, to insert:

SEC. 153. Lost postwar-credit bonds.

Section 8 (c) of the Government Losses in Shipment Act, as amended, is amended by inserting before the period at the end thereof the following: ", and also means any bond issued under section 780 of the Internal Revenue Code."

The amendment was agreed to.

The next amendment was, under the heading "Title II—Repeal of capital stock tax and declared value excess profits tax," on page 47, after line 12, to insert the following new section:

SEC. 203. Alternative tax where war loss recoveries included in net income.

Effective with respect to income-tax taxable years ending after June 30, 1945, and before July 1, 1946, section 100 is amended by inserting before the first paragraph thereof "(a) In general:" and by inserting at the end of such section a new subsection reading as follows:

"(b) Alternative tax: If the net income for the taxable year includes any amount on account of war loss recoveries under section 127 (c), then, in lieu of the tax computed under subsection (a), the tax shall be a tax computed as follows:

"(1) An amount computed under subsection (a), after excluding from net income the amount of the war loss recoveries, plus

"(2) One and one-quarter percent of the amount of the war loss recoveries included in the net income or of such portion of the net income as would be subject to the tax imposed by subsection (a) in the absence of this subsection, whichever is the lesser."

The amendment was agreed to.

The next amendment was, under the heading "Title III—Excise taxes," on page 48, after line 11, to strike out the following section:

SEC. 301. Termination of war tax rates after June 30, 1946.

(a) War tax rates of certain miscellaneous taxes: Section 1650 (prescribing war tax rates of certain miscellaneous taxes) is amended by striking out "on the first day of the first month which begins 6 months or more after the date of the termination of hostilities in the present war" and inserting in lieu thereof: "with the close of June 30, 1946,"

(b) Billiard and pool tables and bowling alleys: Section 302 (b) (2) of the Revenue Act of 1943 is amended to read as follows:

"(2) Billiard and pool tables and bowling alleys. The increase made by subsection (a) of this section in the tax imposed by section 3268 of the Internal Revenue Code shall be effective with respect to the period beginning July 1, 1944, and continuing through June 30, 1946."

(c) Effective date or period of certain decreases: Notwithstanding section 1650 of the Internal Revenue Code—

(1) Cabaret tax: The amendment made by subsection (a) of this section with respect to the tax imposed by section 1700 (c) of the Internal Revenue Code shall be applicable only with respect to the period beginning at 10 a. m. on July 1, 1946.

(2) Telegraph, telephone, radio, and cable facilities. The amendment made by subsection (a) of this section with respect to the taxes imposed by section 3465 (a) (1) of the Internal Revenue Code shall apply only to amounts paid for services rendered on or after July 1, 1946. The amendment made by subsection (a) with respect to the taxes imposed by section 3465 (a) (2) and (3) of the Internal Revenue Code shall apply only to amounts paid pursuant to bills rendered on or after the first day of August 1946 for services for which no previous bill was rendered. Where bills rendered on or after the first day of August 1946 include charges for services previously rendered, the decreased rates shall not apply to such services as were rendered more than 2 months before such date, and the provisions of sections 1650 and 3465 of the Internal Revenue Code in effect at the time such prior services were rendered shall be applicable to the amounts paid for such services.

(d) Continuation of retailers' excise tax on luggage at lower rate.—

(1) Reduction in rate.—Effective with respect to the period beginning July 1, 1946, section 1651 (a) (imposing the retailers' excise tax on luggage) is amended by striking out "20 percent" and inserting in lieu thereof "10 percent."

(2) Continuation of tax.—Sections 1654 (relating to the termination of the retailers' excise tax on luggage) and 1655 (defining "date of the termination of hostilities" for the purposes of chapter 9A) are repealed.

The amendment was agreed to.

The next amendment was, on page 51, line 1, to change the section number from "302" to "301."

The amendment was agreed to.

The next amendment was, on page 51, after line 5, to strike out the following section:

SEC. 303. Draw-back on distilled spirits.

Section 309 (b) of the Revenue Act of 1943 is amended to read as follows:

"(b) Distilled spirits used in manufacture of certain nonbeverage products: In lieu of the rate of draw-back specified in section 3250 (1) (5) of the Internal Revenue Code, the rate applicable with respect to the period beginning April 1, 1944, and continuing through June 30, 1946, shall be $6."

The amendment was agreed to.

The next amendment was, on page 51, line 15, to change the section number from "304" to "302"; and in the same line, after the word "refunds", to insert "And technical provisions relating to reduction of communications tax."

The amendment was agreed to.

The next amendment was, on page 51, line 19, after the word "thereof", to strike out "two new sections reading as follows" and insert "the following."

The amendment was agreed to.

The next amendment was, on page 52, line 3, after the word "on", to strike out "July 1, 1946" and insert "the rate reduction date (as defined in section 1659)"; in line 12, after the word "such", to insert "credit or"; and in line 13, after the word "Commissioner", to strike out "prior to August 1, 1946" and insert "within 30 days after the rate reduction date."

The amendment was agreed to.

The next amendment was, on page 52, line 16, after the word "to", to insert "credit or"; in line 18, after the word "periods", to strike out "prior to July 1, 1946, and also for such period or periods after June 30, 1946 (but not after June 30, 1947)" and insert "both before and after the rate reduction date (but not extending beyond 1 year thereafter)"; on page 53, line 3, after the word "that", to strike out "after June 30, 1946" and insert "on and after the rate reduction date and until the expiration of 3 months thereafter"; in line 5, before the words "the price", to strike out "and before October 1, 1946"; in line 7, after the word "on", where it occurs the second time, to strike out "July 1, 1946" and insert "the rate reduction date"; and in line 11, after the word "reduction", to strike out "under title III of the Revenue Act of 1945."

The amendment was agreed to.

The next amendment was, on page 53, line 17, after the word "the", to insert "credits and"; in line 18, after the word "such", to insert "credits or"; and in line 19, after the word "constituted", to insert "credits or."

The amendment was agreed to.

The next amendment was, on page 53, line 25, after the word "on" to strike out "July 1, 1946" and insert "the rate reduction date"; on page 54, line 11, after the word "articles" to strike out "under title III of the Revenue Act of 1945"; in line 12, after the word "such" to insert "credit or", and in line 13, after the words "prior to" to strike out "October 1, 1946" and insert "the expiration of 3 months after the rate reduction date."

The amendment was agreed to.

The next amendment was, on page 55, line 1, after the word "the" to insert "credits and"; in line 3, before the word "refunds" where it occurs the first time to insert "credits or"; in the same line, after the word "constituted" to insert "credits or", and in line 4, after the word "such" to strike out "taxes." " and insert "taxes."

The amendment was agreed to.

The next amendment was, on page 55, after line 4, to insert:

SEC. 1658. Telegraph, telephone, radio, and cable facilities.

Notwithstanding section 1650, the rates therein prescribed with respect to the taxes imposed by section 3465 (a) (1), (2), and (3) shall continue to apply with respect to amounts paid pursuant to bills rendered prior to the rate reduction date; and, in the case of amounts paid pursuant to bills rendered on or after the rate reduction date for services for which no previous bill was rendered, the decreased rates shall apply except with respect to such services as were rendered more than 2 months before such date; and, in the case of services rendered more than 2 months before such date, the provisions of sections 1650 and 3465 in effect at the time such services were rendered shall be applicable to the amounts paid for such services.

The amendment was agreed to.

The next amendment was, on page 55, after line 19, to insert:

SEC. 1659. Definition of "rate reduction date."

For the purposes of this chapter the term "rate reduction date" means the first day of the first month which begins 6 months or more after the date of the termination of hostilities in the present war.

The amendment was agreed to.

The next amendment was, on page 56, line 1, to change the section number from "305" to "303."

The amendment was agreed to.

The PRESIDING OFFICER. That completes the committee amendments, with the exception of the one passed over.

Mr. VANDENBERG. Mr. President, is it now in order for me to offer an amendment from the floor?

The PRESIDING OFFICER. It is.

Mr. VANDENBERG. I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from Michigan will be stated.

The CHIEF CLERK. On page 35, after line 10, it is proposed to insert a new section, as follows:

SEC. 123. Specific exemption for taxable years beginning in 1945.

(a) Amount of specific exemption: Section 710 (b) (1) is amended to read as follows:

"(1) Specific exemption: A specific exemption of $10,000, except that, in the case of a corporation whose excess-profits credit allowed under section 712 is less than $15,000, the specific exemption shall be an amount equal to the excess of $25,000 over the amount of the excess-profits credit; and in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter, a specific exemption of $50,000;"

(b) Taxable years to which applicable: The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1944. For treatment of taxable years beginning in 1945 and ending in 1946, see section 131.

(c) Technical amendment: Section 2 (d) of the Tax Adjustment Act of 1945 is amended to read as follows:

"(d) Taxable years to which applicable: The amendments made by subsections (b) and (c) of this section shall be applicable with respect to taxable years beginning after December 31, 1944."

On page 38 it is proposed to strike out line 14.

On page 37, line 2, it is proposed to strike out "(1) In general."

Mr. VANDENBERG. Mr. President, the objective and purpose of the amendment is far simpler than the language indicates.

Mr. GEORGE. Mr. President, may I ask the Senator whether any part of the committee amendment is proposed to be stricken out?

Mr. VANDENBERG. No; but I am advised by the legislative counsel that after the adoption of my amendment the portion of the bill which we passed over on pages 38 and 39 would have to be eliminated. The Senator will recall that we passed over a committee amendment. Action on the committee amendment depends upon the action on the amendment which I am offering.

Mr. President, it will be recalled that there has been a very widespread demand in the country for the retroactive application of an exemption of $25,000 in the excess-profits tax, in behalf of the so-called small corporations. The entire excess-profits tax is now proposed to be repealed by the pending bill, commencing next January. I am proposing that in one respect only the Tax Act shall be retroactive to 1945, solely in respect to small corporations.

The proposal as originally presented to the Senate last summer in connection with a previous bill proposed a straight $25,000 exemption for all corporations. That amendment, I may add, came within one vote of being adopted by the Senate. The amendment in that form would have involved a loss of revenue of $185,000,000.

In the Senate Committee on Finance we discussed this problem at some length, and the committee very generally, I think, felt that something ought to be done about it. At any rate the amendment which I have offered failed to carry in the committee as the result of a tie vote. The difference between this amendment and the original proposal for a straight $25,000 exemption is as follows:

The straight $25,000 exemption would apply not only to the small corporations for which its benefits are intended, but would also extend all the way across the board at the base of the exemptions for all corporations. It is for that reason that the benefits would cost $185,000,000.

In the form in which the amendment is now offered to the Senate, the $25,000 total exemption is confined to the small

corporations for which the relief is primarily intended. The net result of the pending amendment would be that in no case would the combined excess-profits credit and the specific exemption be less than $25,000.

To repeat, in the form in which the proposal is now submitted the amendment confines its relief to the smaller corporations, as a result of which the loss to the Treasury would be only $85,000,000 instead of $185,000,000.

Mr. President, I believe that the merits of the proposal are incontestable, because the burden of reconversion falling upon small corporations in the lower brackets is such that it seems to me that immediate relief in respect to 1945 excess-profits taxes is an obvious necessity. The amendment was defeated in the committee only by a tie vote. I submit it to the Senate, and I hope it may be adopted.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. LANGER. I just heard the amendment read. It is quite long, and I did not understand all of it. How would the amendment define the smaller corporations?

Mr. VANDENBERG. Well, it defines itself. The result of the amendment is that in no case shall the combined excess-profits credit and the specific exemption be less than $25,000. In other words, everybody in the lower brackets will get the benefit of this ceiling with respect to the combined exemption for the excess-profits credit and the specific exemption.

Mr. LANGER. So the capital stock of the corporation would have nothing at all to do with it?

Mr. VANDENBERG. No.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Michigan.

Mr. GEORGE. Mr. President, there is a great deal of merit to the amendment. Perhaps if a full membership of the committee had been present, the amendment might have been approved by the committee. At the time the attendance in the committee was reduced. When the amendment was last before the committee, the vote on it was a tie, as the Senator from Michigan has said.

It is true that the amendment would increase the immediate loss to the Treasury, because the 1945 taxes would, of course, be collected in 1946, and the amendment relates to 1945. However, it would strengthen the fiscal or financial position of the smaller corporations; it would give them something to go on. Of course, if we are to have real prosperity, the United States must once again become a nation with a large number of small business enterprises.

So I have no objection to approval of the amendment. We can take it to conference and at least see whether the House of Representatives will be agreeable to it. There may be some other opposition to it, but I merely wish to state that my own position is that, in view of the tie vote in the committee, I have no objection to approval of the amendment.

Mr. WHERRY. Mr. President, I send to the desk an amendment which I ask to have stated, and which I offer as a substitute for the amendment offered by the distinguished senior Senator from Michigan.

The PRESIDING OFFICER. The amendment will be stated.

The CHIEF CLERK. On page 35, between lines 10 and 11, it is proposed to insert the following new section:

SEC. 123. Excess-profits tax specific exemption for 1945.

(a) In general: Section 710 (b) (1) is amended to read as follows:

"1. Specific exemption: A specific exemption of $25,000; and in the case of a mutual insurance company (other than life or marine) which is an interinsurer or reciprocal underwriter, a specific exemption of $50,000;"

(b) Taxable years to which applicable: The amendment made by this section shall be applicable to taxable years beginning after December 31, 1944, and to taxable years beginning in 1944 and ending in 1945. For treatment of taxable years beginning in 1944 and ending in 1945, see section 131.

Mr. WHERRY. Mr. President, the language of the amendment is the same as that offered by the Senator from Montana [Mr. MURRAY] and myself to the tax bill passed last July.

This is the amendment which was offered in behalf of the Senator from Montana and myself for the Senate Small Business Committee, and it appears in the CONGRESSIONAL RECORD on page 7800, through several columns in the RECORD, in the discussion of the tax bill which came before the Senate last July. At that time the amendment was rejected by a vote of 31 to 30.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. VANDENBERG. I wish to be sure that I understand the Senator's amendment. Am I correct in the interpretation that it would extend its relief not only to the small corporations but to every corporation in the United States?

Mr. WHERRY. I shall answer the question asked by the distinguished Senator by stating that if it is his interpretation that what relief we gave would go to all corporations, then that is certainly what the amendment would do, because all it proposes is to make the relief retroactive to January 1, 1945.

Certainly if the Congress has taken the position that the excess-profits tax should be eliminated, or certainly if we are to give even the relief which is proposed in the amendment offered by the distinguished Senator from Michigan, we should go all the way and should give that exemption to all 45,000 corporations designated as small businesses, on the basis of the legislation which has already been enacted. If we intended to accord the relief in 1946 by the tax bill passed last July, I think there is no reason why we should not go back to January 1, 1945, and make it retroactive. I think there should be no objection in doing that.

As I understand the amendment offered by the distinguished senior Senator from Michigan, it would reduce some of the benefits as to some of the corporations. I shall not attempt to state the number of them. The amendment offered by the distinguished Senator from Michigan restricts the relief sought by some corporations, in cases in which they may make a showing that they have made the earnings, as the Senator has already described. That is to be deducted from the exemption; and if the earnings exceed that amount, they will not get the relief as provided in a flat $25,000 excess-profits tax exemption.

I appreciate that the amendment offered by the distinguished senior Senator from Michigan would give relief to the corporations which fall in the class with which it deals, but I wish to have the Senate know that we have already legislated to give the relief up to $25,000, in the tax bill passed last July, to all these corporations. If we have already done that, and if that is the position the Senate is to take, then why not go back retroactively to January 1, 1945, and give relief to all corporations regardless of their earnings by making a flat $25,000 excess-profit tax exemption?

Mr. President, we have had several hearings before the Senate Small Business Committee. When the previous tax bill was before the Senate, I went to the chairman of the Finance Committee and I presented the amendment to him. The distinguished chairman of the Finance Committee went a long way with us, stating that he himself personally felt that the relief proposed by the amendment should be granted. But at that time, as well as now, the main reason why it was not adopted was that the amendment will reduce the revenue approximately $225,000,000. If the Congress does not adopt the amendment, there will be no reduction at all. If the amendment offered by the distinguished Senator from Michigan is adopted, relief will be granted, I think, to the extent of approximately $75,000,000, instead of $225,000,000, which would accrue to the 45,000 small businesses which would come under my amendment.

Mr. CORDON. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. CORDON. I confess that at the moment I am confused as to the difference between the amendment offered by the Senator from Michigan and the substitute offered by the Senator from Nebraska. Will the Senator from Nebraska explain to a simple mind like mine just what is the difference between the two?

Mr. WHERRY. Let me say to the distinguished Senator from Oregon that I shall attempt to explain what my amendment would do, and then the distinguished Senator from Michigan can explain what his amendment would do.

My amendment simply provides that whatever relief has been granted in the tax bill of 1945 shall be made retroactive to January 1, 1945.

Mr. VANDENBERG. No, Mr. President; the Senator does not mean that, because we have already repealed the excess-profits tax, and the Senator is not proposing to make that retroactive.

Mr. WHERRY. Oh, no. The exemption given under the old law went up to $10,000; in July we extended it to $25,000. Now I want to make it retroactive to 1945.

Mr. VANDENBERG. The exemption was $10,000, and it was proposed to raise it to $25,000.

Mr. WHERRY. Yes; it was $10,000, and the Congress made the exemption $25,000.

Mr. VANDENBERG. That is correct.

Mr. WHERRY. That is what we did last July, in the bill which was enacted at that time. Then I offered the amendment not only to extend that exemption for the year 1946 but to make it retroactive to January 1, 1945. When we do that, we give relief to these corporations in the amount of the exemption granted by the act which was passed last July. We give relief up to that figure.

The only question is whether we wish to go all the way with all corporations in giving the exemption. If the Senate adopts the amendment offered by the distinguished Senator from Michigan, relief will be denied to all corporations with excess-profits exemptions up to $25,000. Is that correct?

Mr. VANDENBERG. Well, with some explanations.

Mr. WHERRY. Very well. In other words, all corporations would receive the benefit of my amendment, for the amendment would make retroactive the exemption up to $25,000 which has already been granted.

Mr. VANDENBERG. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. VANDENBERG. I think the Senator overlooks this fundamental and highly essential fact: When this exemption was voted, last summer, we had not moved into the new tax bill which now is on our desks, and we had not granted $2,500,000,000 worth of relief to the corporations of this country. So what was in contemplation was entirely and totally different.

Now we have a bill containing this very general relief provision. I submit to the able Senator from Nebraska and to my friend the Senator from Oregon, who asked the question, that if we are to add further relief in behalf of the small corporations—which is the purpose of my amendment—there no longer exists an excuse or a reason to generalize it for all the corporations in this country, which is what would be accomplished by the amendment of the Senator from Nebraska.

Mr. CORDON. Mr. President, will the Senator from Nebraska further yield?

Mr. WHERRY. I yield.

Mr. CORDON. I should like to ask the Senator from Michigan a question. If this amendment is adopted, will not it grant to the smaller businesses in which the Senator from Nebraska is interested exactly the same relief which his amendment provides, except possibly it will not be retroactive to January 1 of this year?

Mr. WHERRY. Oh, no.

Mr. VANDENBERG. That statement, in general, has in it a substantial element of truth. The difference is that under the operation of this amendment, whatever excess-profits credit a small corporation has, plus its exemptions, is carried to an arbitrary $25,000 floor. So a small corporation might not receive entirely a $25,000 credit if it already had some credit in the same category. But all corporations would get a combined credit of $25,000. Other corporations throughout the country, which already come under this bill and are beneficiaries of reductions of two and a half billion dollars, would be eliminated by my amendment and would be covered by the amendment of the Senator from Nebraska.

Mr. WHERRY. I think, generally speaking, that the Senator from Michigan has stated the situation correctly, and I believe that I would be willing to accept the explanation.

There is no use of indulging in extended argument. The question is whether we want to extend relief clear across the board, as the Senate Small Business Committee recommended to the Congress last July, with reference to which the vote was 31 to 30. At that time the only argument made against the proposal was that mechanically it could not be carried into effect, that it was too late to adopt the amendment and that it granted an excessive amount of relief, namely, $25,000.

Mr. VANDENBERG. In the presence of the facts as set forth in this bill, does the Senator from Nebraska believe that the Small Business Committee would act today in the same fashion that it acted before?

Let me put the question differently. Are not the facts presented today to the Senate totally different from the facts which were presented to the Small Business Committee when it took the action to which the Senator from Nebraska has referred?

Mr. WHERRY. I cannot agree that the facts are totally different.

Mr. VANDENBERG. Two and one-half million dollars of corporate relief is totally different, so far as I am concerned.

Mr. WHERRY. Of course, the distinguished Senator from Michigan has a perfect right to his opinion, and if he believes the total difference is as he has stated, he may have it that way; that is all right with me. I am asserting that there are corporations which will be prevented from obtaining this relief because of the limitations embodied in the amendment of the Senator from Michigan, although I believe they are just as much entitled to the relief as are the corporations which he wants to include.

I believe that enactment of legislation repealing the excess-profits tax will result in a difference between the effect which will be experienced and the effect to which reference was had last July. But I assert now that if there was a justification for the vote which was registered last July, there is just as much justification for a similar vote now. So far as I can see, there is no difference in the principle or in the relief involved. This amendment would have reference to taxes which have already been levied. It affects relief. I say that in all fairness we should provide for the relief granted by the Congress last July, and make it retroactive to January 1, 1945. If it is right for 1946, it was right for 1945. If it is right in neither case, the amendment should not be adopted. If it is right in both instances, I think my amendment, which covers the situation completely, should be agreed to.

Mr. VANDENBERG. The Senator says that if it is right for 1946 it was right for 1945, but he overlooks the fact that in 1946 all the excess-profits tax has been removed. So, according to his argument, if it is right for 1946 to eliminate the excess-profits tax, we should eliminate all excess-profits taxes retroactively for 1945. I am sure he would not think of doing such a thing. What he overlooks is that the conditions under which his amendment was originally presented in the Senate and approved by the Small Business Committee last summer, and the conditions existing today, in the light of this bill, I respectfully submit, are totally different. In my opinion, the relief which he wants for small businesses should be confined to small businesses, and should not go all the way across the board for all corporations in the country for which two and a half billion dollars, through other relief, is included in the bill.

Mr. CONNALLY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. CONNALLY. I dislike very much to disagree with the Senate Finance Committee, and apparently disagree with the majority of the Members of the Senate. I am opposed to the entire repeal of the excess-profits tax for 1946. I much prefer the House provision in regard to the matter.

The House bill reduces the rate to 60 percent, which, in terms of dollars, is 50 percent. So under the House bill, excess-profits taxes for 1946 would be reduced to 50 percent of what they would otherwise be. I do not believe the Members of the Senate appreciate the fact that under the proposal pending before the Senate with respect to the removal of the excess-profits tax for 1946 there would be a loss to the Government of approximately two and a half billion dollars. That is a pretty sizable sum. It would take care of many of the small businesses with reference to which many Members of the Senate are concerned. It would take care of many reductions in other respects which are included in the bill.

Mr. President, it is said the war is over. Yes; the shooting is over, the artillery is quiet, and the airplanes have ceased to fly. But when it comes to paying the tremendous indebtedness which we incurred during the war, the war is not yet over. We talk about reconversion, but I believe that the coming year will afford an opportunity for profiteering on account of inflation and the anxiety of the public to buy goods which they have not heretofore been able to buy. The great corporations from which a tax burden of two and one-half billion dollars will be removed, will make as much money as they made during the war, and, perhaps in some instances, more money.

I wish to refer to a witness who came before the Committee on Finance. He was making a plea for a repeal of the excess-profits tax. I asked him, "What is the capital of your company?" He said, "One hundred thousand dollars." I asked him, "How much excess-profits taxes did you pay?" He said, "I paid $150,000 in excess-profits taxes in 1 year."

I said, "Then you paid the normal 40-percent tax." He said, "Yes; a total of $190,000." I asked him, "How much did you have left?"

I forget whether he said $35,000 or $45,000 on his $100,000 of capital. The Senator from North Carolina suggests that it was $39,000. I said that it was between $35,000 and $45,000, so I was not far out of the way. This man's company received a $39,000 profit on a $100,000 investment after he had paid $190,000 in excess-profits and corporation taxes. Did he need relief? Does his company need relief? Yet, in the name of stimulating business, and in the name of reconversion, in 1 year we are reaching into the Treasury of the United States and taking out two and one-half billion dollars which the Treasury would otherwise receive through excess-profits taxes.

Mr. President, I may be an extremist. Perhaps I am. I believe in the excess-profits tax. I believe it is a permanently sound tax. Let me show why. Take an individual such as myself, for example. Assume that I make $100 a month and the Senator from Utah makes $100,000 in a year. He pays a higher rate of tax than I pay because he makes a relatively much larger income. If the principle of levying a graduated tax in the case of individuals is sound, why is it not sound in the case of corporations? When one corporation receives a small income on its capital stock, and another receives a high income on the same amount of capital stock, why should not a graduated tax be levied in accordance with the ability to pay?

Mr. President, insofar as I am able to do so, I shall support the House provision with regard to the excess-profits tax. Of course, the bill will go to conference. I presume the fact that it will go to conference is one reason the Senate is accepting so readily most of the committee amendments. I shall not be a member of the conference committee because I am not far enough up on the list. But I wish to say that if, when the conference report comes to the Senate, it contains provisions for repealing all the excess-profits tax for 1946, I shall not vote for it. I would rather keep the present law than vote for a bad law. I think it would be a bad law if we were to adopt the recommendation of the Finance Committee.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. WHERRY. I yield.

Mr. O'MAHONEY. I am very much impressed by what the Senator from Texas has said. I was given to understand, not being a member of the Finance Committee, that the present excess-profits tax contains many inequalities.

Mr. CONNALLY. I do not know of any tax which does not.

Mr. O'MAHONEY. I was about to say that the specific inequality which I think is very burdensome is that it favors a large corporation as against a small one; it favors an old corporation as against a new one.

Mr. CONNALLY. The Senator is thinking about the present tax law?

Mr. O'MAHONEY. Yes.

Mr. CONNALLY. Very well.

Mr. O'MAHONEY. I quite agree with the statement of the Senator that there is no reason why we should not apply the same graduated system to corporate profits which we apply to individual incomes, yet if we have an excess-profits formula which operates to retard the development of new enterprise when we need new enterprise, the question I must answer is: Is it better to scrap the entire excess-profits-tax system, or retain this one, which apparently is acknowledged to be defective?

We have the situation that the bill as it passed the House, preserving 60 percent of the present rate, is also preserving 60 percent of the inequality, and making it difficult for little business to survive.

Mr. CONNALLY. I do not question the Senator's claim that there are inequalities in the excess-profits tax law. I think there are inequalities in practically all tax laws. Somewhere along the line, by reason of the universality of its application, it works a hardship on certain particular interests, or certain particular corporations, or certain particular individuals; but the reply is not just to repeal it, the reply is to perfect it and amend it.

Mr. O'MAHONEY. Precisely.

Mr. CONNALLY. And now we have the chance to do it.

Mr. O'MAHONEY. Was any effort made in the committee to eliminate the defects and retain an excess-profits tax which would not militate against the little fellows while making it requisite for the big ones to pay?

Mr. CONNALLY. A great many amendments were offered, a sample of which was the one offered by the Senator from Nebraska, but the committee was so overwhelmingly in favor of repealing the whole excess-profits tax for 1946 that there was no use trying to amend it or modify it, because the committee was determined to repeal it. I say that with all respect. The Finance Committee is a great committee, composed of able Senators, and that is one reason why I regret so earnestly having to part company with the committee on this particular vote.

Mr. O'MAHONEY. Earlier in the day I sought to inquire as to whether there would be any possibility of Senators who are not members of the Finance Committee having an opportunity to read the part of the report on the bill relating to this question before the Senate is asked to vote on it, and I was given to understand that no such assurance could be given, and that we might possibly be required to vote this afternoon upon the bill as it stands. I am very happy the Senator from Texas has raised this question, because it shows that within the Finance Committee serious consideration is being given to what seems to me to be a matter of the very greatest moment.

If excess profits are to be earned in the postwar period, they should be subject to taxation, it seems to me; but if we have a formula which discriminates against the little fellow and in favor of the big fellow, then we should abolish that formula.

Mr. CONNALLY. The Senator's theory about wanting to do no injustice to the little fellows appeals to me, of course, but his remedy is not very appealing, because the little fellow is not getting all he is entitled to in taking it off the big fellow. That is where it will come off.

Mr. O'MAHONEY. That is not my remedy. As a Members of the Senate I am in exactly the same position in which the Senator described himself as being a moment ago as a member of the Committee on Finance. Though he was not approving the action that was taken by the Finance Committee, he said, "Well, I cannot do anything, because the vote is overwhelmingly against me."

Mr. CONNALLY. That is correct.

Mr. O'MAHONEY. The situation is that we in the Senate now have charge of the bill, and are we going to take the time to revise it? Are we going to see that before the bill leaves the Senate it will leave in the shape in which we would like to have it?

I should like to see the Senator from Texas take the lead in this matter. He has expressed his disagreement with the position of the committee. Now let him appeal to his colleagues on the floor of the Senate, and I for one will be glad to pledge him what assistance I can render.

Mr. CONNALLY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CONNALLY. A motion to recommit with instructions is always in order, is it not?

The PRESIDING OFFICER. It is.

Mr. CONNALLY. That will afford some opportunity, I may say to the Senator from Wyoming. So far as the statement of the Senator today is concerned that he could not even be allowed to read the bill, I do not know anything about that; I was not present. I made no such statement. I am a very humble and powerless member of the Committee on Finance.

Mr. O'MAHONEY. I was not told that I would not be permitted to read the bill. The very able and always admirable Senator from Georgia, the chairman of the committee, merely said that he could not undertake to enter into an agreement that there would not be a vote today.

Mr. CONNALLY. I was not present.

Mr. O'MAHONEY. I know that the Senator from Georgia is only too glad to have Members of the Senate read the report which came from his committee.

Mr. CONNALLY. Mr. President, I do not care to take up much more of the time of the Senate, but I wish to submit one statement in substantiation of my theory about the progressive tax on corporations as a permanent part of our taxing system.

When Woodrow Wilson was President of the United States—I cannot put my finger on the message and the date, but I can get the reference—in a message to the Congress he advocated the imposition of the excess-profits tax on corporations as a part of our permanent taxing system. I think the immediate occasion of his message was that we are undertaking in the tax laws, during World

War I, to impose an excess-profits tax. In arguing for it he proceeded to make the statement that, according to his view, it should become a permanent part of our tax policy.

Mr. President, when and if it shall be appropriate to do so, I shall offer a motion to recommit the bill with instructions to agree to the House provision on excess-profits tax.

Mr. O'MAHONEY. Mr. President, will the Senator yield?

Mr. CONNALLY. I yield.

Mr. O'MAHONEY. Instead of instructing the committee to agree to the House provision, would it not be preferable to instruct the commitee to examine the excess-profits tax and eliminate its defects?

Mr. CONNALLY. That is a pretty broad program. I understand when we instruct someone we have to tell him what to do, and it would be a little difficult to do that in this instance. What might in the Senator's mind seem to be a defect might to some other Senators seem a great blessing. We cannot generalize and say that we will remove all defects. When we do, the result may be to remove a great many of the "innards" of the thing. I wish to accommodate the Senator, but I am afraid I shall not be able, as a practical proposition, to name the defects. I would not ever submit to a doctor for an operation to remove all my defects. I want to live a little longer. [Laughter.]

Mr. O'MAHONEY. I used unfortunate language, which may be open to the rapier of the very skillful Senator from Texas. The Senator from North Carolina says in an aside that he has not used a rapier, but a broadax.

Mr. CONNALLY. I meant no offense.

Mr. O'MAHONEY. Certainly; I understand. The point is that if there is a defective law, we should cure the defect.

Mr. CONNALLY. I grant all that.

Mr. O'MAHONEY. Then why not ask the Finance Committee to study this matter? Those of us who are not members of the Finance Committee are dependent upon the Senators who are.

Mr. GEORGE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Georgia?

Mr. CONNALLY. I yield.

Mr. GEORGE. Let me say to the distinguished Senator from Wyoming that we adopted an excess-profits tax in 1940. The distinguished Senator from Texas was then a member of the committee. If there is anything wrong in the excess-profits tax, everyone in this body is responsible for it.

Mr. O'MAHONEY. Of course.

Mr. GEORGE. Then why study it longer? We have studied it each year since 1940. We have amended the law again and again and again, and, finally, we adopted a general amendment, known as section 722, to prevent hardship in the case of small businesses, and to newly organized corporations, and to those who were in desperate condition. That was a liberal provision, which has not been administered, and will not be administered, because we will never find a Treasury official who will assume the risk of administering such a law.

There is nothing new about the excess-profits tax. If there is a desire to abandon what has made America—that is, the ability of our industry to grow—we will get rid of the excess-profits tax as a peacetime tax. If any want monopoly, then they will keep the excess-profits tax, and keep it high, and I guarantee that there will never be any competition with the monopolistic enterprises in this country.

Mr. O'MAHONEY. Mr. President, let me say to the Senator from Georgia that anything I have stated is not to be regarded as a criticism either of the chairman of the Finance Committee or of the committee itself; but it is clear to me, as I think it must be clear to every other Member of the Senate, that we are now undertaking to establish a rule for a peacetime economy, whereas the excess-profits tax which is now on the books is a tax which was adopted in wartime, and which was adopted under the spur of necessity. I do not think that even the Senator from Georgia will contend that the excess-profits tax now on the books is a perfect instrument.

Mr. GEORGE. No; it is not perfect, and no one can make it perfect.

Mr. O'MAHONEY. Certainly not.

Mr. GEORGE. There is no way to make it perfect to fit all conditions.

Mr. O'MAHONEY. The Senator from Texas suggests that it can be improved.

Mr. GEORGE. Well, the Senator from Texas has had 4 years in which to improve it.

Mr. CONNALLY. I want to keep the tax, and the Senator from Georgia wants to eliminate it.

Mr. GEORGE. Yes; I do want to eliminate it, because I desire the young men of this country to have a chance to engage in business enterprises.

Mr. O'MAHONEY. In which I agree completely with the Senator.

Mr. GEORGE. Very well. How would the Senator define excess profits? They must be profits over and above a certain income.

Mr. O'MAHONEY. Certainly.

Mr. GEORGE. Very well. Either invested capital or an average earning base.

Mr. O'MAHONEY. If the Senator will permit me——

Mr. GEORGE. That is what we have today.

Mr. O'MAHONEY. I am not engaged in a debate with the Senator.

Mr. GEORGE. Oh, no; but I deplore the kind of debate that is now going on because I do not think the Senator has thought the matter through.

Mr. O'MAHONEY. If the Senator will permit me, I was engaged in a debate with the Senator from Texas.

Mr. GEORGE. The Senator wants a committee to study the bill and to study the excess-profits tax, and we have studied it. The tax was imposed as a wartime tax before we became involved in this war, but we say that it was necessary to prepare for the war. The tax came on in 1940.

Mr. O'MAHONEY. Will the Senator permit me to make a statement?

Mr. GEORGE. Yes, I will permit the Senator to make a statement. I do not have the floor, however.

Mr. O'MAHONEY. This is my position. I said earlier today that I much prefer the action of the Senate Committee on Finance with respect to the excess-profits tax to the action of the House, and I was merely saying to the Senator from Texas that, instead of asking his colleagues to vote for the retention of the House provision he should ask the Finance Committee, if he intends to make a motion to recommit, to try to remove some of the defects which are contained in the excess-profits tax. If I am compelled to make a choice between voting to recommit the bill, to adopt the House provision, or the bill as reported by the Finance Committee, I shall support the bill as reported.

Mr. GEORGE. I did not like the Senator's implication that the Finance Committee had never studied the excess-profits tax.

Mr. O'MAHONEY. I made no such implication, and intended no such implication, I will say to the Senator.

Mr. GEORGE. Very well.

Mr. CONNALLY. Mr. President, I tried to make clear a little while ago that I could not agree to send the bill, according to the views of the Senator from Wyoming, to the committee to study and work it over. We have studied it, and that is why we know there are some imperfections in it. But, Mr. President, a tax which brings into the Treasury of the United States $2,500,000,000 appears to me to be a pretty fair tax when we have outstanding a public debt of $270,000,000,000. I know there may be some defects in the tax. But where does this tax apply? It applies to excess profits after companies have made profits comparable to what they made for the four base years prior to the war. It applies to profits over and above what they made before the war. Are such excess profits so sacred that when the tax gatherer goes to the man who has made them he can say, "Do not touch these excess profits. It is true they are excess profits, but you must not take them. Go back and tax that little picture-show fellow a little more. Tax that fellow with a low income. Give him a little more of it. But we want these excess profits freed from tax."

Mr. President, I am for free enterprise—yes, free enterprise. We are all for free enterprise if it is on our side of the street. I am for free enterprise, but I want free enterprise treated fairly and justly, and I want a little free enterprise in favor of the Government as well as individuals.

Yes, I want to see new enterprises established. I want to see them grow and develop as we have known them to grow and develop in the past. Certainly I want to see that. But to give $2,500,000,000 to the corporations which are already in existence, which already have their treasuries full of money and bonds and stocks, is not going to help the little fellow who does not have anything, who is just starting out. If anyone can figure out how such action is going to help him I will reverse my position.

Mr. HAWKES. Mr. President, will the Senator yield for a moment?

Mr. CONNALLY. Yes, for a moment.

Mr. HAWKES. I have asked this question two or three times today——

Mr. CONNALLY. I am sorry but I was not present when the Senator did so.

Mr. HAWKES. And if I am wrong I should like to have someone correct me, because I believe the distinguished Senator wants to have the facts placed before the Senate and the people in their true colors.

How do we know that we shall have taken off two and one-half billion dollars excess-profits tax from the business of the United States? I want to call the distinguished Senator's attention to the fact that in order to do that the excess profits must first be made. Concerns engaged in business have to build them up.

Mr. CONNALLY. Yes.

Mr. HAWKES. What assurance have we that they will do it?

Mr. CONNALLY. We have the same assurance we have with respect to all other taxes. We have the estimate made by Mr. Stam, the tax expert. We have the estimate made by Mr. Vinson, Secretary of the Treasury. Of course, I am not a prophet. I cannot tell what profit a company will make in the future. But what do the tax experts do? They do what has been done in all human history; they go back to the past and estimate on the basis of what has occurred in the past, consider the trend, and then they form a conclusion. They cannot guarantee it to be correct, of course, But let me say to the Senator in connection with his anxiety in respect to this $2 500,000 000——

Mr. HAWKES. I will say to the Senator from Texas that I have no anxiety respecting it.

Mr. CONNALLY. I am not trying to be offensive, I will say to the Senator.

Mr. HAWKES. Of course, I know the Senator is not.

Mr. CONNALLY. If the companies do not make excess profits they do not pay. So if the Senator feels that they are not going to make the two and one half billion dollars he can go home tonight and slumber on that silk pillow of his without any worries at all, because the companies will not make it.

Mr. HAWKES. I wish I had a silk pillow, Mr. President, but I really prefer a cotton pillow. That is one of the reasons why I am popular in the South.

Mr. CONNALLY. If the Senator does not have a cotton pillow I will see that he gets one. I am strong for cotton. [Laughter.] The Senator from Alabama [Mr. BANKHEAD] is not here, and I shall assume to speak for cotton in his absence.

Mr. HAWKES. Let me say, because I believe the Senator is trying, as I am, to ascertain the facts——

Mr. CONNALLY. I am trying to get a little money in addition to the facts.

Mr. HAWKES. So am I, just as much as the Senator is. I do not think anyone is more firmly and more strongly interested in seeing this Government get all the revenue it can than I am, but it cannot get anything out of a dead duck, and it cannot get a golden egg out of a dead goose.

Mr. CONNALLY. That is correct.

Mr. HAWKES. What we are endeavoring to do is to get the maximum revenue possible.

Mr. CONNALLY. The dead goose does not care whether anything is taken out of it, because it is already dead. A surgical operation does not hurt a dead goose.

Mr. HAWKES. That is true; but let us get back to the little point we are talking about. If I myself were a big corporation, or if I were speaking in favor of the great corporations of the United States, I would agree with the Senator, and I would not ask for repeal of any excess-profits taxes.

Mr. CONNALLY. That is the first time I have been put in that class. I thank the Senator.

Mr. HAWKES. What I am talking about is the same thing that the distinguished Senator from Georgia has just suggested to the distinguished Senator from Wyoming, and that is——

Mr. CONNALLY. Well, they did not agree in any respect.

Mr. HAWKES. Yes; they did agree. They may not have known it, but they did agree on a great fundamental in that they believe the repeal of the excess-profits tax will stimulate the small-business man, the man who does not have a decent earning base, and the new businessman, and I believe exactly the same thing. I can also say to the Senator that it is my firm conviction that the repeal of the excess-profits tax—possibly when a new bill is drafted—a change can be made in the graduated scale of taxation, making it larger or smaller as the case may demand; but the repeal of the excess-profits tax, in my opinion, may raise more revenue for the United States than would be raised if it were retained.

Mr. CONNALLY. I hope the Senator is correct in his estimates, but he doubted any estimates at all a while ago when I mentioned the estimates with respect to how much we are going to save. Now the Senator goes one better than the Secretary of the Treasury and one better than Mr. Stam, and his estimate is that if we remove the tax we will receive a great deal more money than if we retain the tax. I congratulate the Senator. He is a statistician and a Senator.

Mr. HAWKES. May I say to my very dear friend the distinguished Senator from Texas that I have not heard Mr. Stam make any predictions of how much money is going to be made in 1946. He has only made a guess.

Mr. CONNALLY. That is because the Senator has not asked him.

Mr. HAWKES. Oh, yes; I have asked him.

Mr. CONNALLY. Well, there he sits over there. I yield to the Senator from New Jersey so he may have an opportunity to go over there and ask him.

Mr. HAWKES. I might also say that Mr. Vinson himself, the Honorable Secretary of the Treasury, says definitely that this thing is a pure picking of the figures out of the air.

Mr. CONNALLY. He is against the provision. He wants it repealed.

Mr. HAWKES. I am following along with the administration in my viewpoint, so that if things do not go as well as we think, the blame will not be all on us.

Mr. CONNALLY. I am glad the Senator has enlisted under the banner of the administration for the duration. I do not know how long the duration is going to last. I am glad to welcome the Senator to the ranks.

Mr. President, I respect those who advocate repeal of the excess-profits tax. I have no quarrel with them. That is their right. They think that way, but I do not think that way. And since I must vote on my own responsibility I shall vote as I think about the matter. I think it is a very foolish grant of the public funds to hand the money back. We do not have it yet.

Mr. HAWKES. That is correct.

Mr. CONNALLY. But we would get it, because if the Senator from New Jersey is correct, then what we ought to do, instead of increasing taxes, is to continue to reduce them and get more money for the Government every time we reduce them. Cut the taxes down, and get more revenue.

Mr. HAWKES. Mr. President, will the Senator again yield.

Mr. CONNALLY. Yes, I yield.

Mr. HAWKES. I agree with the last philosophy the Senator has expressed, that is, the proper reduction of taxes carried out in a way that is correlated with the debts and the obligations of the Nation, and watching the development of the business and employment under the process of reducing taxes. I do not believe there is anything more important to the United States than to eliminate every tax which stifles and stymies business and thus stops revenue from coming into the Treasury.

Mr. CONNALLY. The Senator is correct in the view that we can reduce taxes if we properly correlate them; but the trouble is in correlating. We do not know where to correlate and where not to correlate. He drags in another uncertain element. If he were to say that he was in favor of eliminating taxes, I could understand that; but when we must do all this correlating, it bothers my mind, and I simply cannot grasp it.

Mr. President, I do not believe that we ought to repeal the excess-profits taxes. I assume that the Senate will do it. The committee has recommended it. I respect the sincerity, integrity, and honesty of those who advocate repeal, but I simply do not believe in it. I do not think it is wise. I do not think it is sound. I do not think it compares with the other aspects of the bill. What other interest would benefit by the remission of taxes to the extent of $2,500,000,000 under the terms of the bill? I cannot place my finger on the information at this time, but I am advised that only a relatively small number of corporations would receive the major portion of the $2,500,000,000 through the forgiveness of taxes.

Mr. President, I shall not press the motion at this time, but before the bill is voted upon I shall make a motion to recommit. I shall move that the bill be recommitted to the Committee on Fi-

nance with instructions to report it back with the recommendation that the Senate agree to the House provision relating to the excess-profits taxes. I regret that the Senator from Wyoming [Mr. O'MAHONEY] will not support such a motion. If we adopt the House language, we shall be revising the excess-profits taxes to some extent. If we pass the bill as reported from the Committee on Finance, there will be no revision. The excess-profits taxes will be repealed. I regret very much that I am unable to agree with the Senator. I always like to agree with him.

Mr. President, at the proper time I shall make the motion to which I have referred.

CREATION OF A WORLD REPUBLIC

Mr. TAYLOR. Mr. President, I ask unanimous consent, out of order, to submit a resolution at this time.

The PRESIDENT pro tempore. Without objection, the resolution may be submitted.

Mr. TAYLOR. Mr. President, I should like to make a brief statement in connection with the resolution. I dislike very much to interrupt consideration of the tax bill. On the other hand, it may be a welcome respite for Senators to hear of something besides taxes for a few moments.

Mr. President, this is a rather momentous occasion in my experience in the Senate. This is the first resolution I have ever introduced. Furthermore, it is a resolution which may be rather startling to some, and, to say the least, controversial.

My proposal in the resolution is that the Senate go on record as favoring the creation of a world republic. This is not something that I thought of on the spur of the moment. I have studied the problem for a good many years. But, of course, when the atomic bomb fell on Hiroshimo the effect was something like that of a man turning around and seeing a grizzly bear on his tracks. It hurried me up a little, I thought more intensely on the subject and did considerably more research and study.

Recently I have been asking my friends and chance acquaintances what they thought of the idea of a world republic as the most sensible and practical way of maintaining peace in the world. I was rather astonished at the response which I received. Invariably the answer was, "TAYLOR, you have something there. I am for it, but I do not believe anyone else will be for it." When I spoke to the next person I asked him the same question. I tried to put it in such a way that he would not think that I was sponsoring the idea. I wanted to get his honest reaction. Again I would receive the answer, "That is the right idea. It is our only hope of maintaining peace in the world, but I do not think anyone else will agree with you."

Invariably that was the response. Everyone thought that I had something, but that he was the only one with enough vision to see the problem in its true light, and that no one else would agree with me. I talked with a former Senator. I talked with a man from India who has attended Harvard University, and who is now lecturing at a college here. I talked with farmers from my own State of Idaho. The other day I talked with a farmer, and suggested the idea of a world republic as the best means of maintaining peace in the world. He said, "I am for it. That is the only thing that will maintain peace in the world." Knowing that he was a farmer, a grower of sugar beets, and probably a strong advocate of high tariffs and opposed to reciprocal trade, I said to him, "You understand that possibly in the world republic the government might abolish all tariffs between nations." I thought that would stop him if anything would. He said, "That is all right. I still maintain that we must have a world government if we are to hope to maintain peace and avert the destruction of humanity."

Mr. President, I shall now read the resolution. I feel that I should do so because of the nature of it. If it were a resolution in connection with some routine matter, I might submit it and let it go at that. The resolution reads as follows:

Whereas the atomic bomb and other new and terrible instruments of warfare make it possible that most of mankind and civilization itself may be destroyed should the world become involved in another war; and

Whereas even before the soldiers of this war have returned to their homes another race between nations is already underway to train ever greater armies and to produce more scientifically diabolical weapons in the largest possible numbers; and

Whereas we believe that not only the people of the United States but an overwhelming majority of all people in all countries are sickened by wars, senseless slaughter, and the burdens of great military establishments and crave only peace: Now, therefore, be it

Resolved, That the Senate of the United States hereby calls upon the delegates of the United States of America to the United Nations Organization prayerfully and earnestly to redouble their efforts to secure world-wide agreement to:

Limit and reduce immediately and eventually to abolish armaments, outlaw military training and conscription except for such police forces as the Security Council of the United Nations Organization may deem necessary to preserve the peace of the world; outlaw the manufacture or use of atomic bombs and all other atomic weapons for any purpose whatsoever; outlaw the manufacture or use of other weapons and instruments of war of every kind and nature, except for such weapons as the Security Council of the United Nations Organization may deem necessary to preserve the peace of the world; provide for an international police force capable of enforcing these agreements; and be it further

Resolved, That because the creation of an international police force requires adequate international civil authority for its control and mindful of the long and continued peaceful relations between the 48 States of our own republic and being hopeful that similar principles of government, if applied to all men, will secure to the world the greatest possible opportunity for everlasting peace, we therefore urge that every possible effort of our delegates to the United Nations Organization be directed toward the ultimate goal of establishing a world republic based upon democratic principles and universal suffrage regardless of race, color, or creed; and be it further

Resolved, That the President of the United States be requested to use the great powers and influence of his high office toward achieving the purposes of this resolution by instructing the delegates of the United States to the United Nations Organization to propose at the first assembly of that organization the creation of a commission to prepare the drafts of the requisite international conventions, agreements, and treaties for the establishment of the world republic proposed by this resolution.

Mr. President, I invite the attention of the Senate, and also the attention of those who may read this statement in the RECORD, to the fact that the original Thirteen Colonies faced precisely the same situation which we face today. They had a loose organization, a league of friendship, among the Colonies, and it was inadequate. They were arguing and squabbling among themselves. They were not progressing in the field of economic well-being. They were fighting among themselves. So the representatives of the Colonies met in convention. It was not called for the purpose of drafting a constitution which would draw the Colonies more closely together. It was called for the purpose of amending the Articles of Confederation. But the gentlemen gathered there realized that confederations, leagues of friendship, and leagues of nations would not keep the peace. They exercised great statesmanship, foresight, daring, and courage. They took it upon themselves to formulate our present Constitution.

Mr. President, at that time it was said that the Thirteen Colonies were too vast to be united under one government. It was suggested they should be divided into spheres of influence, so to speak, even as has been suggested for the nations of the world at the present time. It was suggested that a certain group of colonies should be in one confederation, another group in another confederation, and a third group in still another confederation, because the Colonies were too big to be united in one republic. But our founding fathers thought better of that, and so we have the United States of America.

Mr. President, today we are in the same situation. It is contended that the world is too large for one republic, that there should be spheres of influence and confederations of nations in certain sections of the world. I do not believe in that theory.

I wish to call the attention of the Senate to what happened yesterday, although I do not think it is necessary to do so, because I am sure that everyone who attended the joint session of the House and Senate held on yesterday will agree with me as to what happened. I am sure all will agree that the reception given there to the proposal of universal military training was very cool. I have attended several such joint sessions. Previously they have always been gala occasions, always the President has been tumultuously received, always he has left the Chamber amid loud applause, and as he has made his exit there has been a burst of enthusiastic applause from the audience. I am sure that yesterday we all noticed that the President was received most cordially, but that as he progressed with his pronouncement that the only way to maintain peace in the

world was by force, there was a marked cooling of the attitude of his listeners. The applause became less and less spontaneous; and as the President left the Chamber, the applause actually died and ceased before he had proceeded more than half way up the aisle. I do not think that was a demonstration of any unfriendliness toward the President; but, rather, it was simply a manifestation of the unutterable depression which had come upon that gathering at the prospect of a renewed armaments race, even before the soldiers of this war have returned to their homes and their firesides.

I believe the people of America are ready—not only ready, but anxious and definitely craving—to have something done to preserve peace in the world and to prevent the beginning of another armament race which, in view of the development of far greater instruments of destruction, can result only in leading to the absolute erasing from the face of the earth of our civilization and of a large percentage of the actual inhabitants of the earth.

Mr. President, it has been my observation that always when great armies are built up they are not disbanded until they have been used for purposes of making war upon some other nation. We have examples of what results from militaristic attitudes upon the part of nations, of peacetime conscription, and peacetime compulsory military training. We have the example of France which had a great army made up of conscripts, and yet its morale was so poor that it fell at the first onslaught of the enemy. We have the example of Germany, which by means of conscription built up a great army that was used for purposes of world conquest. More immediately, Mr. President, we have before us the object lesson of Argentina, where the army has taken control of the country in toto.

So I am opposed to great armies, especially conscript armies, if there is any other possible alternative. I agree that if affairs go on for another year or two as they have been going, and if international relations deteriorate further and further, by that time I shall be compelled to agree with the idea that the only hope of preventing the utter extinction of our Nation will be the creation of a great military machine. But I am not prepared to go along with that idea at the present time, and I will not go along with it now.

Very recently, Mr. President, Representative ARENDS, of the House Military Affairs Committee, suggested that we hide our factories and ourselves in the thousands of miles of deserted mine shafts in certain regions of our country.

That might be a good idea except for the fact that the scientists who invented the atomic bomb tell us that shortly the bombs will be so powerful we would have to dig down at least a half mile. At any rate, Mr. President, I prefer to stay above ground and to embrace my fellowman and call him brother. But that can only be if we have the courage to travel the uncharted road to a world republic.

President Truman had this to say to his neighbors in Kansas City, before the atomic bomb was dropped on Hiroshima:

> It will be just as easy for nations to get along in a republic of the world as it is for us to get along in the Republic of the United States.

I think he spoke from his heart, but I am afraid that since that time he has had too many so-called practical advisers with militaristic learnings tell him that it is absolutely impossible even to think of a world republic, and, therefore, we should arm to fight instead of seeking peace.

I know how that is; I went through a similar experience with my resolution. After I had talked to so many common people and after they all had agreed with me, then I thought, "Well, inasmuch as this is my first resolution, I guess the proper thing to do is to try, before I submit it, to gain some support in the Senate." So I started calling upon Senators to ask what they thought of my proposal and to ask whether they would care to have their names appear as cosponsors of the resolution. The first Senator upon whom I called said he had not even given any thought to the idea of a world republic. He promised that he would and that he would call me later. However, he has never called me. I do not know whether he is still giving it thought or whether he has just forgotten about it.

I went to another Senator and asked him what he thought about it. He thought it was a great idea, but he did not want any part of it. [Laughter.]

Then I went to another Senator, and he was absolutely opposed to it. He said he had recently been to Europe and that they were a bunch of poor white trash and he wanted no part of them, and certainly not to be mixed up in a republic with them.

So, Mr. President, about that time I decided that that was a poor course to pursue, because if I kept on I would be in the sad position of submitting my resolution over the good advice of every Member of the Senate, before I was through with it. So I ceased and desisted, and I am presenting my resolution now on my own initiative, because in my heart I am convinced that this is the only possible solution to the problem of attaining permanent world peace.

There are some who say that the goal of a world republic is unattainable. Well, what if they do? Suppose we do set our sights on an impossible goal—for instance, such as President Roosevelt's goal of 50,000 airplanes a year. The Senate will recall that and will remember that it was laughed at as being the figment of an overwrought imagination, and it will also be remembered that our actual production of airplanes made 50,000 planes a year appear as child's play. So, I say, let us set our sights on an impossible goal; let us display a little of the vision and faith of that great man.

General Marshall, in his recent report to the Congress, said:

> The only defense against this kind of warfare [atomic warfare] is the ability to attack.

Later in his report he reiterated that—

> The only effective defense a nation can now maintain is the power of attack.

What he did not say, but what is implicit, is attack without warning. That is what we face in this world: Nations with atomic rocket bombs aimed at the vital centers of other nations, with a technician sitting at a button, ready to press it and spread destruction to a whole nation, and that state of affairs existing in every nation, and all the nations of the world living in dread and fear.

Mr. President, I fear that if this condition continues, not only will the morale of the people of the world be destroyed, but their morals will be destroyed. If a man feels that he may never live to see the dawning of another morning, probably he will decide to go out tonight and get drunk and celebrate and have a good time, and God knows what will happen to the world if such fatalistic attitudes become prevalent.

There are some who claim that to establish such a world-wide republic is impracticable and impossible because of the many races and religions and varying standards of living in the world. Here in America we also have many races and religions, and we also have greatly varying standards of living—not only between different classes but also between different sections of our country. Even in Canada different languages are spoken in certain sections of that democracy.

It is claimed by many that we cannot even hope to get along peacefully with Russia, let alone accept her into a world republic, because she has an economic system different from ours. We might bear in mind that Canada has a socialist government in the Province of Saskatchewan, but to date, at least, it has not brought on violence or revolution or even serious misunderstanding with the remainder of the Dominion.

Representative MUNDT, of South Dakota, has recently returned from Russia. Among other things, he said, "Russia has gone a long way from the doctrines of Karl Marx."

We hear the same thing from many other sources. And certainly we have been moving to the left in our economic forms.

Both Representative MUNDT and Representative FRANCES P. BOLTON said that they found only the greatest interest in and friendliness toward America.

Mr. MUNDT said that he observed no anti-American propaganda, and that "if there had been any, then it has failed completely."

Does that sound like a nation against whom we should arm to the hilt upon the slightest provocation? And if we are not arming in fear of Russia, who else is there at this time to threaten us?

Certainly the United States is the only nation that would dare to risk a war with Russia, and Russia is the only nation in the world that would dare to risk a war with the United States.

Mr. President, I wish to read into the RECORD a few statements which have been made by scientific experts who had some-

thing to do with the development of the atomic bomb.

Dr. Harold Urey, one of the scientists who helped develop the atomic bomb, said:

Unless we can devise some plan to prevent the manufacture of atomic bombs we shall live in constant fear of sudden and violent death. A world of vast fear and apprehension will be our lot and that of our children.

We must understand that the most devastating weapon of all times is now in our hands and will soon be in the hands of other industrialized countries.

Dr. Robert R. Wilson, on behalf of Los Alamos scientists, foresees atomic bombs thousands of times more powerful than the ones dropped on Hiroshima, said:

Efforts to keep it from other nations will lead to an unending war more savage than the last.

Counter measures would be extremely difficult and uncertain because of the concentrated form of destructive energy and the large number of possible methods of delivery.

Advantage would lie with the aggressor. A single heavy attack, lasting a matter of minutes, might destroy the ability of a nation to defend itself further.

The bomb is a deadly challenge to civilization itself.

Dr. Shapley, Harvard:

The future, if it is to be made safe for civilization, is one in which narrowly national interests diminish and world-wide responsibilities increase.

Dr. A. H. Compton, another prominent atomic scientist, said:

If we are wise we shall take immediate steps to form a world government by international agreement instead of waiting for a third world war of unparalleled destructiveness to determine the rulers of the world.

Dr. H. J. Curtis, one of the men who helped make the atom bomb, predicted that the scientists' suggestion for international control might be scoffed at as visionary.

He said:

In reply I will simply state that the possibility of developing atomic energy was also so labeled a scant 6 years ago, and yet today it is a reality.

We can see no reason why a similar miracle cannot be achieved in international relations.

Dr. Irving Langmuir, General Electric Co. scientist, stated:

There is no possibility of permanently keeping the secret of the atomic bomb * * * Russia is behind us at the moment, but she has a tendency to go ahead at a faster rate than we do. * * *

Their development could reach such a state that all they would have to do would be to push a button and destroy every American city.

General Marshall said:

In the immediate years ahead, the United Nations will unquestionably devote their sincere energies to the effort to establish a lasting peace. To my mind there is now greater chance of success in this effort than ever before in history.

I am not expecting that this resolution will be reported from the committee at once and favorably voted upon. My best hope is that developing events and the pressure of public opinion may eventually bring action before we have traveled too far down the road of military might to bring the monster of armed force under control.

The resolution is before the Senate. It has been submitted. It is up to the people of America to make known their wishes in the matter to the Foreign Relations Committee, where it will be referred.

Preservation of world peace cannot be left to the whims of sovereign states, or to conferences of foreign ministers, or to security councils.

These inadequate agents may suffice for a time, they can even be valuable as architects of a more permanent structure.

The United Nations Organization may have been adequate at San Francisco, but agreements between sovereign nations will not suffice in the atomic age which has come into being since the San Francisco Conference.

General Marshall has said:

If man does find the solution for world peace it will be the most revolutionary reversal of his record we have ever known.

I agree with General Marshall. It will be a revolutionary reversal, but I believe that if we have the courage, the resolute purpose, and the magnificent imagination which was displayed by the framers of our Constitution, this can be accomplished. Those men did not wait for the masses to force them to act. They were leaders. They had been called upon only to revise the Articles of Confederation, but they recognized the futility of confederations and leagues of friendship and agreements between sovereign powers. So they took the responsibility upon their own shoulders and drafted our Constitution. When some objected that they were going too far, Washington said:

It is too probable that no plan we propose will be adopted. Perhaps another dreadful conflict is to be sustained. If, to please the people, we offer what we ourselves disapprove, how can we afterward defend our work? Let us raise a standard to which the wise and the honest can repair; the event is in the hand of God.

How well might those words of President Washington apply to circumstances at this very moment in the history of the world.

Mr. President, I call upon the Republican Senators to support this resolution for a world union, in the name of their greatest leader, Abraham Lincoln, who gave his life to the end that our own Union should not perish.

I call upon them in the name of their late statesman, Wendell Willkie, whose profound understanding of world affairs led him to declare, long before the atomic bomb made it crystal clear, that this is indeed one world.

I call upon the members of my own party to exercise the same foresight, and high courage, that motivated the founders of our own Republic when, even though they were called traitors to their individual States, they nevertheless fought the good fight to establish a United States of America, because they believed that the good of all is superior to the proud pretensions of any lesser sovereign entity.

In the name of Woodrow Wilson, who died a martyr to what was considered to be a revolutionary step in the quest of men and women everywhere to end the scourge of war, I call upon Senators of the Democratic Party to wrest this one last chance from the jaws of chaos and establish permanent peace in the world as the alternative to a far more ghastly orgy of death and destruction than the world has ever known.

I call upon them to lend their support to this bold proposal in the name of the man whose bold leadership in our victory over tyranny has given us this last fleeting opportunity to render the greatest service of all time to humanity.

Mr. President, I call upon every Senator, regardless of party, I call upon all the citizens of America, I call upon every Christian, to give support to this proposal. I ask it in the name of the Prince of Peace.

The resolution (S. Res. 183), submitted by Mr. TAYLOR, was referred to the Committee on Foreign Relations.

DISCONTINUANCE OF LAND-GRANT RAILROAD RATES—CONFERENCE REPORT

Mr. JOHNSON of Colorado submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 694) to amend section 321, title III, part II, Transportation Act of 1940, with respect to the movement of Government traffic, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 2. The amendment made by section 1 of this Act shall take effect October 1, 1946: *Provided, however,* That any travel or transportation specifically contracted for prior to such effective date shall be paid for at the rate, fare, or charge in effect at the time of entering into such contract of carriage or shipment."

And the Senate agree to the same.

Amendment numbered 2: That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 4. (a) There are authorized to be appropriated from time to time, to a fund in the Treasury to be known as the "veterans' farms fund", amounts equal in the aggregate to the total amount set forth in subsection (c) of this section.

"(b) Amounts appropriated to the veterans' farms fund shall be available until expended and shall be utilized, 75 per centum by the Secretary of the Interior and 25 per centum by the Secretary of Agriculture, as follows:

"(1) The amounts available to the Secretary of the Interior shall be utilized by him for the construction of irrigation projects in the reclamation States; and for the purchase and reclamation improvement of such privately owned lands, and the reclamation improvement of such public lands, situated within reclamation projects as are necessary to the proper and integrated development of

said projects, and such Secretary shall dispose of lands so purchased or improved to eligible veterans in family-type farms.

"(2) The amounts available to the Secretary of Agriculture shall be utilized by him for the purpose of assisting eligible veterans to establish themselves upon and improve family-type farms on lands within Federal reclamation projects and on lands within the States in which railroad land grants are located but which are not reclamation States. Funds so available to the Secretary of Agriculture shall be administered in the same manner as funds appropriated for title I of the Bankhead-Jones Farm Tenant Act, as amended: *Provided*, That such funds may be used by the Secretary of Agriculture in the reclamation States and in the other States named in subsection (c) without regard to the prevalence of farm tenancy in said States: *And provided further*, That veterans found qualified for occupancy of a family-type unit on Federal reclamation projects pursuant to the Bankhead-Jones Farm Tenant Act must also be acceptable to the Secretary of the Interior. Any funds appropriated to the Secretary of Agriculture pursuant to title I of the Bankhead-Jones Farm Tenant Act may be used for the purposes of this paragraph and paragraph (3) of this subsection, in the manner and under the conditions provided for the use of funds made available pursuant to this subsection.

"(3) In order to provide for cooperation between the Secretary of the Interior and the Secretary of Agriculture in the administration of this section, the Secretary of the Interior is authorized, pursuant to cooperative agreements between the Secretary of Agriculture and the Secretary of the Interior, to consider any money made available by any Federal agency to veterans settling upon land within Federal reclamation projects, as all or a portion of the capital required of such settler under subsection C of section 4 of the Second Deficiency Act, fiscal year 1924 (43 Stat. 702), and where any lands have been or may be improved by means of funds made available to an eligible veteran by the Secretary of Agriculture pursuant to the Bankhead-Jones Farm Tenant Act, or this section, the Secretary of the Interior shall require the entryman or settler of such lands to enter into a mortgage contract or other security instrument acceptable to the Secretary of Agriculture covering his interest in the land and improvements to secure the repayment of the value of such improvements before a subsequent entry is allowed.

"(4) Of the amounts in the veterans' farm fund, the Secretary of the Interior shall expend at least $3,750,000 of the funds available to him, and the Secretary of Agriculture shall expend at least $1,250,000 of the funds available to him, in each of the States mentioned in subsection (c) as having railroad land-grant lands valued at $5,000,000 or more: *Provided*, That if the total of the amounts appropriated under subsection (a) is less than $68,272,770, then the said Secretaries shall expend in each of such States 75 per centum and 25 per centum, respectively, of an amount which bears the same ratio to $5,000,000 as the total of the amounts so appropriated bears to $68,272,770.

"(5) An eligible veteran for the purposes of this section is one who has been or may be declared by the Administrator of Veterans' Affairs to be eligible for any benefits provided for in the Servicemen's Readjustment Act of 1944 as now in force or as hereafter amended.

"(6) No amount shall be deducted or withheld from any payment due to any veteran under any law administered by the Veterans' Administration for the purpose of protecting the United States against loss in connection with any sale of land under this section.

"(c) For the purpose of this section the value of land-grant lands to which carriers have legal or equitable title or possession in the several States is hereby fixed as follows: "Arizona, $7,000,000; California, $14,331,090; Idaho, $1,149,190; Minnesota, $87,228; Montana, $19,209,090; Nevada, $11,112,454; New Mexico, $5,000,000; North Dakota, $1,000,500; Oregon, $171,292; Utah, $349,120; Washington, $8,789,406; Wisconsin, $3,300; Wyoming, $70,100; total $68,272,770."

And the Senate agree to the same.

ED. C. JOHNSON,
ERNEST W. MCFARLAND,
B. K. WHEELER,
E. H. MOORE,
CLYDE M. REED,
Managers on the Part of the Senate.

LYLE H. BOREN,
J. PERCY PRIEST,
OREN HARRIS,
PEHR G. HOLMES,
CARROLL REECE,
Managers on the Part of the House.

Mr. JOHNSON of Colorado. Mr. President, I ask unanimous consent that the conference report be considered.

The PRESIDENT pro tempore. Is there objection to the present consideration of the conference report?

Mr. GEORGE. Mr. President, I realize that the presentation of the conference report is a privileged matter, but it strikes me that it might be well to hold its consideration in abeyance until we can dispose of the tax bill.

Mr. JOHNSON of Colorado. If the conference report results in any debate, I shall withdraw it.

Mr. GEORGE. I think it will lead to debate.

Mr. WHITE. Mr. President, will the Senator from Colorado indicate what changes have been made in the form of the bill which was passed by the Senate?

Mr. JOHNSON of Colorado. The only change is in respect to the so-called McFarland amendment. As will be recalled, that amendment provided for certain payments to be made out of the fund for the improvement of land for veterans in some of the States. The Comptroller General found fault with the provision and suggested the changes which have been made.

The PRESIDENT pro tempore. Is there objection to the present consideration of the conference report?

Mr. KNOWLAND. Mr. President, reserving the right to object, will the Senator from Colorado indicate what changes the Comptroller General suggested in the allocations to the various States? I think we should have a fairly full explanation of the matter.

Mr. JOHNSON of Colorado. In general, this is what the conference report does: Under its provisions the allocation of funds for the purposes listed in the McFarland amendment is merely an authorization. It is not an appropriation at all. An appropriation will have to be made by the Congress before any money can be taken out of the Treasury and used for the purposes recited in the McFarland amendment.

Mr. BILBO. Mr. President, I have been keenly interested in the proposed legislation. I merely rose to extend my hearty congratulations to the Senate conferees for the good service they have rendered in retaining in the bill the amendment to make the law effective beginning October 1, 1946. That one amendment will save for the taxpayers of the country between $200,000,000 and $224,000,000, as I have been best able to estimate it.

I am very much gratified that the conferees have been able to retain this amendment after the House so hurriedly tried to pass a measure in the last 2 or 3 years. Beginning in December, 1944, I have been objecting to the passage of the bill, but I have no objection to its enactment with this amendment in it, because since I have been on the job fighting the bill, there has accrued to the Treasury approximately a quarter billion dollars, and this amendment adds another quarter billion. After the war is over and all the hauling has been done by the railroads of the country of soldiers and sailors, after they have all been placed back in their homes, and after the declaration that the war has come to an end, the bill will not mean anything because of the enactment of the act of 1940.

The PRESIDENT pro tempore. Is there objection to the present consideration of the conference report? The Chair hears none, and without objection the conference report is agreed to.

Mr. LANGER. Mr. President, I was on my feet. I wish to object.

The PRESIDENT pro tempore. The Senator from North Dakota objects, and the conference report will go over.

Mr. JOHNSON of Colorado. Mr. President, I move——

Mr. BARKLEY. Mr. President, will the Senator withhold the motion?

Mr. JOHNSON of Colorado. I withhold the motion.

Mr. BARKLEY. I hope Senators will await the disposition of the pending bill before other matters are brought forward. It is very desirable to get the bill through today. It will have to go to conference, and it is necessary that it become law by the 1st of November in order that certain provisions of it may become effective. I hope we may dispose of it before other matters are brought forward.

THE REVENUE ACT OF 1945

The Senate resumed the consideration of the bill (H. R. 4309) to reduce taxation, and for other purposes.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Nebraska [Mr. WHERRY], presented as a substitute for the amendment of the Senator from Michigan [Mr. VANDENBERG], on page 35, after line 10.

Mr. WHERRY. Mr. President, I want it distinctly understood that the amendment is in exactly the same language as the amendment I offered last July to the so-called tax adjustment bill, which was identified as House bill 3633. The purpose of the amendment then was to make retroactive to January 1, 1945, the increased exemption in the excess-profits tax, a specific exemption from $10,000 to $25,000. At the last session the Senate passed the bill, but my amendment was not carried, having been lost by a vote of 30 to 31.

We are told this afternoon that the excess-profits tax law is to be repealed. I hope it will be repealed. I have offered my amendment today to make the $25,000 exemption retroactive for the tax

year 1945. I have done so because more than 45,000 small business concerns throughout the country have asked that I offer this amendment, which will relieve them in their reconversion problems, which will give them new money with which to continue their businesses in 1946, especially businesses which have just been started.

The only difference between this amendment and the amendment offered by the distinguished senior Senator from Michigan which has now been approved, or will be taken to conference by the chairman of the Committee on Finance, is as to the amount of relief which will be granted. In the Senator's amendment, which is a restricted amendment, as I call it, there will be relief to the extent of about $70,000,000. Under my amendment the relief will amount to about $225,000,000, and 45,000 of the beneficiaries will be small businessmen who are under the $25,000 bracket. That is what I wanted to say. I am not asking for a roll call. I should like to have a voice vote, because now we have made some headway. The amendment of the distinguished Senator from Michigan, of course, has given the small businessmen $70,000,000 of relief, and the Senate Small Business Committee membership appreciates that. But this is the original amendment I offered for the relief of the 45,000 businessmen of this country, to whom we think relief should be given so that they may proceed with their business.

Mr. VANDENBERG. Mr. President, just a word of final explanation, since the Senator from Nebraska has made his statement.

Under the amendment which I have submitted, and which has now been approved by the chairman of the Committee on Finance, the relief will be confined to groups in the lower brackets, whereas the relief under the substitute proposed by the Senator from Nebraska would run through the entire list.

Mr. WHERRY. I should like to have this final word, then, that, based upon the evidence taken, it is my opinion that the amendment I have offered would affect 95 percent of the small businessmen. It would of course give the relief to big business as well, but what is a $25,000 exemption to hundreds of large corporations which have tremendous earnings? My amendment reaches 95 percent of those asking relief under the amendment.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Nebraska to the amendment of the Senator from Michigan.

The amendment to the amendment was rejected.

The PRESIDENT pro tempore. The question now recurs on the amendment of the Senator from Michigan.

The amendment was agreed to.

The PRESIDENT pro tempore. The chair is of opinion that the Senate must now recur to the commitee amendment on page 30.

Mr. GEORGE. Mr. President, I am on my feet to ask that we return to the committee amendment on pages 38 and 39.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. GEORGE. Mr. President, I ask that that portion proposed to be inserted on page 39, lines 8 to 16, be omitted, and that the amendment thus modified be agreed to. This is necessary in view of the adoption of the amendment just approved by the Senate.

The PRESIDING OFFICER. The question is on agreeing to the amendment as modified by the Senator from Georgia.

The amendment as modified was agreed to.

Mr. MAYBANK. Mr. President, am I correct in understanding that the amendment which was adopted limits the exemption to $25,000 except to insurance companies, as to which it is limited to $50,000?

Mr. GEORGE. The existing law applies to insurance companies. This amendment does not refer to insurance companies. The amendment just approved, offered by the Senator from Michigan, clearly declares that no excess-profits-paying corporation shall have a total excess-profits credit and specific exemption of less than $25,000 before the imposition of excess-profits taxes.

Mr. MAYBANK. And it is for 1945?

Mr. GEORGE. It applies to 1945. Of course, already we have provided for a flat 25 percent special exemption, beginning in 1946.

The PRESIDENT pro tempore. The committee amendments have all been acted on. The bill is still before the Senate and open to further amendment.

Mr. CONNALLY. Mr. President, I send a motion to the desk, which I ask to have stated.

The PRESIDENT pro tempore. The clerk will state the motion.

The Chief Clerk read as follows:

I move that the bill be recommitted to the Committee on Finance with instructions to report it back with the recommendation that the Senate agree to the House provision relating to the excess-profits taxes.

The PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Texas.

The motion was rejected.

Mr. BROOKS. Mr. President, I offer the amendment, which I send to the desk and ask to have stated.

The PRESIDENT pro tempore. The clerk will state the amendment.

The CHIEF CLERK. At the proper place in the bill, it is proposed to insert the following new section:

SEC. —. Wages or salaries paid in contravention of the Stabilization Act of 1942.

(a) In general: Section 5 (a) of the Stabilization Act of 1942, as amended, by inserting before the period at the end thereof a colon and the following: *"Provided*, That in no case shall the amount so disregarded exceed such part of such wage or salary payment as is in excess of the part thereof that could have been paid without contravening such regulations."

(b) Effective date: The amendment made by this section shall be effective as of October 2, 1942.

Mr. BROOKS. Mr. President, the amendment is intended to correct and would correct one of the most vicious and deterring practices now affecting American business. During the war every time we were asked to grant authority respecting regulations, under the guise of winning the war, authority was granted freely and with a great deal of generosity. In the Stabilization Act we provided two penalties. There is a criminal penalty at the end of the act for willful violation, and there is another penalty which, stated in simple language, is that wherever any employer raises the wages of his employees above the amount allowed by the regulations of the various regulating bodies the Treasury can deny the employer not only the right to deduct for income-tax purposes the increase in wages but the total wages paid to the employees.

For instance, if a restaurant had 10 employees, and was paying them at the rate of 40 cents an hour, and raised the wages to 50 cents an hour, the Treasury now has the authority to say to it, "You have no right to deduct nor will we allow you to deduct any of the wages paid to any of those employees during the entire time that you increased the wages."

The amendment merely provides for correcting the law and limiting the Treasury, the National Labor Relations Board, and the War Labor Board so they may no longer continue to harass the thousands of employers of small numbers of employees by asking for their books and charging them with having violated the law. They do not charge such employers with having willfully violated the law, under which they can be penalized criminally, but they threaten the little businessman and say, "You violated the law, and if you do not make a settlement we will recommend to the Treasury that it disallow all the wages you have paid to all your employees to date during all the time you are supposed to have been a violator." If such action were carried to the limit under this law the Government could absolutely bankrupt business after business in this country. The situation is fraught with danger. Businessmen are driven to certain adjusters who tell them what they can do.

The amendment simply provides that if one unknowingly violates the law the Treasury can deprive him only of the right to deduct the amount of increase in wages which he did not have the right to make.

If one willfully violates the law he can be fined and put in prison.

But we ought to start now to do away with the vicious practices of these muddling bureaus which are endeavoring to keep themselves alive, and are harassing people and collecting punitive taxes in a way in which they have no right to collect taxes as such.

This is the first chance I have had to present such a measure, and I ask the Senate to accept the amendment.

Mr. CAPEHART. Mr. President, I should like to say a few words on this question. The rule of the Treasury Department which permits it to disallow as a tax deductible the full amount which any employer may have paid to an employee inadvertently, possibly against the rules and regulations of the War Labor Board, is a very vicious and a very dangerous thing. It simply means that if

one were employing 100 persons and he raised their wages 5 cents an hour without the permission of the War Labor Board, the Treasury Department could, under its present rules, disallow for income-tax purposes, the entire amount the employer paid those 100 individuals from the time he increased their wages. Let us suppose that was 3 years ago, and that the employer paid the 100 individuals an average of $2,000 a year, which would be $200,000 a year, or $600,000 in all, the Treasury Department can disallow $600,000 as a tax deductible and that might in many instances bankrupt employers.

I could have used for an illustration 10 employees as well as 100. I could have used 10,000 as well as 100. I use 100 as an example. This is a very vicious thing. I do not think it was ever intended by Congress that the Treasury Department should go to the extent and to the extreme they have gone. Many little businesses, such as restaurants, hotels, and other service business of all kinds are not in a position to know exactly what the law is. They are not in a position to subscribe to the services which are available to the larger employers. There is no doubt in my mind that there are literally thousands of them who have raised some poor man's or woman's wages without first securing the consent of the War Labor Board.

Under the act and under the rules of the Treasury Department Government officials are obligated to go through the country and audit the books of every man in business to see whether or not he raised the wages of some poor fellow or some woman, and if they find that he has done so and did not secure permission from the War Labor Board, then they must disallow the total amount the employer has paid that employee or those employees from the day he began to pay them, and that runs into literally thousands and thousands of dollars. The result is that there is not a single employer in the United States who knows where he stands. He does not know when someone is going to come in and audit his books and find that he made some little mistake.

Mr. President, all that the Senator from Illinois [Mr. BROOKS] and I are asking by this amendment is that employers who unknowingly have violated the law or the War Labor Board's ruling be penalized only to the extent of the raise they have given; not to the full extent of the full wage or the full salary which was paid an employee or employees.

Mr. President, there cannot be any objection to this proposal. The Treasury Department informed us that they have the right to do what we have been describing; that they have the right to disallow the full amount, but that they are not availing themselves of that right, and they are using good judgment. Evidently they recognize the unfairness of the rule and the act. Therefore, I strongly urge that the Senate agree to the amendment in order that the hundreds of thousands of businessmen in this Nation may know exactly where they stand and what the penalty will be in case they unknowingly violate the law.

Mr. MORSE. Mr. President, I think this amendment deserves much more careful consideration in the Senate of the United States than it is going to receive if we consider it in connection with the tax bill. I happen to be one who believes that the administrative and enforcement procedure in the so-called penalty cases deserves some very careful review. Unquestionably some legislation should be passed correcting some of the abuses that exist in the so-called illegal wage-penalty cases. But I want to point out that legislation of this type, as encompassed in this amendment, ought to be very carefully considered by way of committee hearings. An appropriate committee should give close attention to it, and representatives of the Government agencies involved, as well as citizen groups, should have an opportunity to present both sides of the question to the Senate.

Mr. President, I want to point out that wage stabilization legislation was passed by the Congress in order to meet a very critical war need. There are many thousands of employers in this country who kept faith with the Congress of the United States, who abided by the language of the legislation which was perfectly clear if one would read it. These law-abiding employers were greatly handicapped during the war by the illegal actions of some employers—and they were not all small employers. Mr. President, this amendment is going to benefit some big chiselers, some big employers in this country who did not keep faith with their Government during the war when it came to living up to the wage policies of this Government.

Take, for example, in my own State, the fine record of most of the great lumber companies. Most of the lumber concerns in my State were very scrupulous in seeing to it that they abided by the wage policies of this Government during the war. Yet they were constantly having their men stolen and chiseled away from them by so-called gypo operators who now, if this amendment is agreed to, will profit from their violation of the wage stabilization program during the war. Such violators will, as a matter of course, plead that they did not willfully violate the law and it will be difficult to convict them at this late date under the criminal provisions of the law.

Mr. President, there are some things at stake in connection with this amendment which should cause the Senate to go slow on such legislation as this. I repeat, the whole problem should be considered by an appropriate committee of the Senate. We should not adopt it by way of a so-called rider on the tax bill. I think that would be most unfair to a large number of patriotic American employers who did not see fit to take advantage of the wage stabilization program by paying illegal wages. Perhaps penalties now imposed are too great but we should not attempt here to determine what changes, if any, should be made. I can tell the Senate that the penalty now objected to was in and of itself very effective in causing many employers to stay in line during the war. Let me also say that not only were conscientious and loyal employers damaged during the war by other employers who wished to steal manpower and who resorted to illegal wages, but a great many responsible labor leaders were greatly handicapped in maintaining discipline because some of their rank and file would say to them, "Another union is getting by with a wage increase with such-and-such an employer. Why don't you go out and get one for us from the Weyerhaeuser Lumber Co. or General Motors?"—or some other great employer who was trying to live up to the war provisions of our wage stabilization program. I know of many instances in which labor leaders told their men that they would not approve of labor pressure for illegal wages.

I, too, protest abuses of enforcement. I know that there is probably too much arbitrary action in regard to the procedures which are being followed in applying the penalties. However, I believe that we would be false to our obligations to law abiding American employers if we were now, without more consideration than this opportunity provides us, to adopt the amendment proposed by the Senator from Illinois. I believe that he ought to present the amendment in the form of a bill. It ought to be referred to a committee for hearings; and then, after careful deliberation, we should decide, first, what procedures need to be changed in applying the penalties, and what, if anything, ought to be changed in regard to the penalties themselves.

Mr. BARKLEY. Mr. President, I wish merely to add a word to what has already been said by the Senator from Oregon. In order that we may understand what this amendment proposes, it might be well to read section 5 (a) of the Stabilization Act of 1942:

> No employer shall pay, and no employee shall receive, wages or salaries in contravention of the regulations promulgated by the President under this act. The President shall also prescribe the extent to which any wage or salary payment made in contravention of such regulation shall be disregarded by the executive departments and other governmental agencies in determining the costs or expenses of any employer for the purpose of any other law or regulation.

Of course, every industry and every employer in the United States had notice of that law, and no one could plead ignorance of the law, because it did not become effective until after it was enacted. Widespread discussion of the penalty provisions of the Stabilization Act was such as to apprise every employer in the United States as to what his rights were.

Following the terms of that law, the President issued certain regulations. One of the regulations, issued through the Treasury Department, was that the amount of excess wages paid in contravention of the section which I have just read should not be considered as costs in the production of articles, which costs might be deducted in the matter of taxes.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. CAPEHART. The order was not limited to excess wages. The order applied to the original wages paid, plus the excess wages. That is what we are objecting to.

Mr. BARKLEY. That was by way of penalty for violation of the law. The President had the right to issue such regulations. The penalty provisions were inserted in the act after long hearings before the Committee on Banking and Currency, which dealt with the Price Stabilization Act. It seems rather inappropriate here, at the conclusion of an interim tax bill, without any consideration even by the Committee on Finance, which has never dealt with the subject of prices, to ask the Senate to agree to an amendment of this kind without any consideration whatever by any committee of the Senate.

Hearings are now in progress before the Committee on Banking and Currency on the OPA situation. I suppose the subject will be gone into exhaustively. Mr. Bowles appeared yesterday and testified. I believe he is coming back tomorrow. Several Senators have advised the committee that they expect to cross-examine him at considerable length with respect to the operations of the OPA. I do not know that this particular section will be involved.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. TAFT. I suggest that while this provision is in the Stabilization Act, I doubt very much if such a measure could originate in the Senate, because it seems to me clearly to be revenue legislation. If the House should choose to raise the question I do not believe that such legislation could originate in the Senate. So I think we are forced to put it in some tax bill. I do not remember the exact provision contained in the Stabilization Act, but I know that the enforcement is being done by the Treasury Department. It is not being done by the OPA.

Mr. BARKLEY. I understand.

Mr. TAFT. The officers who are checking up on everyone are Treasury officers.

Mr. BARKLEY. It is being done under regulations which the President was authorized, in the section which I have read, to promulgate. He is acting through the Treasury Department.

Mr. BROOKS. Mr. President, will the Senator yield?

Mr. BARKLEY. I shall be glad to yield in a moment.

Undoubtedly it was contemplated by the language of the act that the President had the right to issue regulations prescribing the extent to which any of these payments could be made or accepted, or given any legal effect by any of the departments of the Government. This happens to be a regulation in which the Treasury Department is involved.

I now yield to the Senator from Illinois.

Mr. BROOKS. Not only is the Treasury involved but the War Labor Board is using the Treasury as an additional weapon to search the books of small companies and keep the Investigating Division of the War Labor Board alive.

Mr. BARKLEY. So far as deductions from taxes are concerned, the War Labor Board, as well as the President, must operate through the Treasury. No other agency of the Government could determine whether a particular item of cost should be deducted in the payment of taxes. It must be done through the Treasury.

Mr. BROOKS. There is no set rule by which Government representatives operate in making adjustments. More than 15,000 cases are piled up in Chicago, and they are coming in every day. Investigators are swarming over the community and threatening employers on the basis that they will be denied deductions for the entire wages which they have paid for the whole time unless they make some adjustment. The Price Stabilization Act was not passed to raise revenue. It was for the purpose of holding the line.

Mr. BARKLEY. Of course.

Mr. BROOKS. Now it is being used as a revenue-collecting device. The war is over, and the line has been held.

Mr. BARKLEY. The Senator realizes that if a company, in violation of the law, paid any wages it chose to pay, and then claimed a deuction in its taxes, the question of enforcement would be bound to be involved, and it could be handled only through the Treasury Department. It could not be handled by the OPA or the War Labor Board. They have no authority to determine what deductions may be allowed.

Mr. BROOKS. There is a criminal penalty for willful violation of the law. I am speaking about acts which are not willful.

Mr. BARKLEY. The Senator's amendment would go all the way back to 1942 and permit deductions in cases involving violation of the law in contravention of regulations in regard to wages. As the Senator from Oregon [Mr. MORSE] has said, one company would offer an inducement to take employees away from other companies by paying larger wages than it was entitled to pay under the regulations issued by the President. Under the terms of the Senator's amendment such penalties would be forgiven, and deductions from taxes would be allowed back to 1942.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. CAPEHART. Even if the pending amendment were adopted, there would still be two penalties for those who willfully violated the President's directive. There would be the penalty of disallowing as deductions for tax purposes the increased wages which were paid, plus the criminal penalty in the act itself, of $1,000 fine and 1 year in jail. I believe we are correct in assuming that at the moment the Treasury Department and the War Labor Board are auditing the books of literally hundreds—and perhaps thousands—of small businessmen as well as large businessmen. They can continue to do so, and they should do so; but my position—and I believe it should be the position of every other Senator—is that, now that the war is over and the line has been held, Government agencies should not be permitted to say to an employer, whether he be a large businessman or a small businessman, "At some time or other during the past 5 years when you were busy making war materials, working under the pressure of war and patriotism, with every employee working for you asking for a wage increase and threatening to leave you if he did not receive it, you paid some of your employees—10 or 1,000—wages in excess of those allowed under the regulations, and we are going to disallow the total amount of wages which you paid those employees during the entire period."

I say that such a thing is vicious, and that it should be stopped. I do not believe that it was ever the intention of a single Senator or a single Member of the House that the Treasury Department should use the tool which the President of the United States placed in its hands in any such a manner. The authority was placed in the Treasury Department by the President, not by the Congress. The President issued the directive.

Mr. BARKLEY. The President could not have done it without authority of Congress. The authority is specific, in the section which I have read.

I wish merely to say this——

Mr. MORSE. Mr. President——

Mr. BARKLEY. I shall be glad to yield to the Senator in a moment.

The whole policy of Congress with regard to the Stabilization Act and the OPA will shortly come up for consideration. The law expires on the 30th of next June, unless it is extended. The committee which had charge of this legislation will hold hearings on it and go into the subject thoroughly. What will happen, I do not now predict. I do not know what the Congress will be willing to do. However, it seems to me rather odd that the Senate should be asked, on the basis of an ex parte statement by one or two Senators, to change a fundamental law dealing with the stabilization situation. It is true that the war is over. As soon as the news of the armistice reached a soldier who was in the Army in World War I, he started home. Just then another soldier said to him, "Where are you going?"

He said, "I am going home."

The other soldier said, "You have not been discharged."

The soldier who was leaving said, "I enlisted for the war, and the war is over, and I am going."

The other soldier said, "You enlisted for the duration of the war; and while the war is over, the duration has just started!"

Mr. President, now the war is over; the fighting has stopped. But the question of inflation and holding the line and preventing spirals and skyrocketing of prices such as those which occurred after the last war, has just begun. We cannot afford to release the controls and the authority which have been established in behalf of our entire economy. It seems to me that action on this question should await the careful consideration of the committee having charge of the legislation and of the various governmental agencies involved, including the Treasury Department and the President. All of them should be given an opportunity to be heard, before we act upon the matter.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield.

Mr. CAPEHART. I do not believe this amendment has any relation whatever to holding the line against inflation. We are talking about something that has already happened, not about something that will happen in the future.

Mr. BARKLEY. Mr. President, so long as there is any law which undertakes to control prices, the agencies which are given jurisdiction and authority to hold the line, as we call it, or to hold down prices will have the same authority as that which they now have on the basis of the laws on the statute books, and the same authority they had when the war was in progress.

Mr. CAPEHART. But authority was given to raise wages without any penalty, provided such increases did not raise the cost of manufactured goods.

Mr. BARKLEY. I see no difference between the effect and operation of the law now and its effect and operation prior to the termination of hostilities. It is still the law.

Mr. MORSE. Mr. President, will the Senator yield?

Mr. BARKLEY. I yield, but I should like to have a vote taken on the amendment.

Mr. MORSE. I wish to say that I share the view of the Senator from Kentucky. I do not think we should adopt legislation of this type by way of a rider on a tax bill without having an opportunity for a fair hearing being afforded. But I am impressed with how easy it is, apparently, for us to forget some of the dark days of 1942, 1943, and 1944, when we were bending all our efforts to see to it that our economy was stabilized, so that it would be useful in enabling us successfully to prosecute the war.

When this type of penalty was being considered by the Government, there was brought to bear upon the matter the advice and counsel of some of the great industrialists of America. One will look in vain to find a single dissent among the authorized representatives of industry on the War Labor Board when it came to the question of carrying out the penalties of the act, because we had the experience of the last World War to guide us. During the last World War we had a war labor board, but that board, headed by the great William Howard Taft, had not been given the necessary authority to enable it to see to it that its policies and decrees were enforced. That board had some unfortunate experiences with persons who defied its decrees. For example, the moment the armistice was signed, the great steel industry refused to carry out one of Mr. Taft's decisions, and then he issued the very historic pronouncement in which, in effect, he said, "Would that I had judicial power to enforce this decree."

We do not wish to have a repetition of that experience immediately after this war. If that were to occur, people who had violated the Government's stabilization policies then would come forward and would say, "Well, the war is over now, and we do not think we ought to be held responsible for committing acts which were not in the interest of the successful prosecution of the war."

These matters involve questions of fact, Mr. President; and we cannot determine questions of fact on the floor of the Senate this afternoon.

I say that if we adopt this amendment, we shall be giving a bonus to some vicious war chiselers who did not live up to their responsibilities when the very future of this country was at stake—chiselers who were more interested in profit dollars than they were in maintaining a stabilized economy during the war.

I will join any Member of the Senate in seeing to it that abusive procedures, if they exist on the part of the War Labor Board, the Bureau of Internal Revenue, or any other agency or department of Government, are corrected, so that American citizens may receive a fair hearing. But I think it is most unfair to thousands of people in this country who have lived up to their obligations to the United States under the Stabilization Act, now to come along with an amendment which would relieve from their responsibility, in large measure, a great many persons who ought to have the penalty applied to them.

All I am pleading for is that we may have a full and fair hearing on these procedures, so that we may obtain the facts, and not now undertake to say that we will modify, by way of this amendment, the penalties which the Government felt it necessary to apply when we were in a very serious situation, if we were to have any enforcement at all of our stabilization program.

Mr. BARKLEY. Mr. President, I thank the Senator.

I have nothing further to say, and I should like to have a vote taken on the amendment.

Mr. CAPEHART. Mr. President, I should like to say that, after listening to the Senator from Oregon, one would think that the proposal was to eliminate all penalties. Again I wish to call attention to the fact that the penalty regarding the amount of wage paid above the wage which the employer was paying prior to the raise is still in force, as well as a $1,000 fine and a penalty of 2 years in jail. As I have said, to listen to the able Senator from Oregon, one would think the proposal was to eliminate all penalties.

I do not subscribe to the view that hundreds and thousands of small businesses in this country should be penalized by the Treasury Department in order to reach a few who have willfully disobeyed the law.

Mr. BARKLEY. Mr. President, will the Senator yield for a question?

Mr. CAPEHART. I yield.

Mr. BARKLEY. Does the Senator have a copy of the regulation about which he is complaining, under which he says thousands of cases are piled up in the office; or does any Senator have a copy of the regulation?

Mr. BROOKS. I do not have a copy of it, but I have copies of the complaints which have come to me in great number, and I have a copy of the law.

Mr. BARKLEY. Yes; I, too, have a copy of the law; but it seems to me that someone who is complaining about a regulation should have the regulation here. I do not even know whether the regulation does what it is claimed that it does.

Mr. CAPEHART. Is there any question in the Senator's mind that the President did issue a regulation in respect to this matter?

Mr. BARKLEY. He issued a regulation, but I should like to see it. I should like to see what it says.

Mr. CAPEHART. Is there any question in the Senator's mind that the regulation did prescribe as a penalty that all the wages paid by—

Mr. BARKLEY. Yes; there is a question in my mind about it, and I should like to see the regulation.

Mr. CAPEHART. Let me suggest that the Senator ask Mr. Stam, who is sitting at his left, and no doubt he will correct the Senator and will tell him——

Mr. BARKLEY. I shall be glad to consult with Mr. Stam about it, but the regulation itself would be the best evidence.

Mr. TAFT. Mr. President, let me say that one difficulty is that it takes 3 days to find a regulation; so many of them have been issued by the War Labor Board and by the President in relation to the matter of wage fixing.

I think I was as active as any other Member of the Senate in connection with the enactment of the Anti-Inflation Act, the Stabilization Act of October 2, 1942. I sat through all the committee hearings, and I sat through all the debate which occurred in the Senate of the United States. So far as I know, this particular section was never called to the attention of anyone. It was never debated in the Senate. If it had been, I doubt very much whether it would have been enacted in a form which would justify the present regulations.

This provision says:

> No employer shall pay, and no employee shall receive, wages or salaries in contravention of the regulations promulgated by the President under this act. The President shall also prescribe the extent to which any wage or salary payment made in contravention of such regulations shall be disregarded by the executive departments and other governmental agencies in determining the costs or expenses of any employer for the purposes of any other law or regulation.

I think a hasty reading of the act will suggest to anyone that what they were proposing to disallow as an income-tax deduction was an excessive payment made in violation of the law, not payments of $20 a week, when only $15 a week should have been paid. I do not think that was the intention of the act, as I read it. I see how it is possible to take advantage of its terms to issue a regulation disallowing the entire wage paid to someone, a small part of which wage is excessive.

So, I do not believe the Senate ever considered this policy, and I do not believe the Government of the United States deliberately, as has been referred to, ever enacted this policy or intended to enact this policy into law. It is one of those provisions, at best, which is intended to permit, by acting under one law, an effort to enforce some provision of another law.

That is a procedure of which I have never approved. In effect, it is government by blackmail; by threatening to impose the penalty provided under one

law, a man is forced to comply with another law.

So far as I am concerned, if the amendment offered by the Senator from Illinois had been offered on the floor when that act was under consideration, prior to its passage, I certainly would have voted for it. I had no idea that the act justified such a regulation as the one which has been promulgated.

If, as the Senator from Kentucky suggests, no such regulation has been promulgated, then no harm can be done by adopting this particular amendment. If there is any vicious chiseler, certainly the vicious chiseler can be reached under the criminal provisions of the law.

So, it seems to me it is a matter which can be properly corrected. If it is not corrected here, I do not see that it can ever be corrected until another tax bill comes to the Senate from the House of Representatives. I believe it should be corrected at this time.

Mr. BARKLEY. Mr. President, in that connection let me say that it could be corrected when another stabilization act is brought to the Senate or when an extension of the OPA law is enacted, if one is. I am advised that there has been a modification of the regulation. That shows the difficulty in trying to legislate here blindly, without having the regulation before us so that we can see what the President actually did or what he authorized the Director of Economic Stabilization to do. As I understand, there has been a modification of the original order, but not knowing what the original order was, I do not know what the modification was. That does not shed much light on the subject.

Mr. BROOKS. Mr. President, before a vote is taken I wish it to be definitely understood that I represented no chiselers when I offered the amendment. I wish it to be definitely understood that it has been stated today by representatives of the Treasury Department that the Department has the right to deny as a tax deduction every dollar which was paid to every employee for the full period it was paid. It is therefore the right of the Government, under this act, literally to bankrupt company after company. Such power is too vicious to place in the hands of any man making an investigation. This power was granted during the period of the war; now is the time to take it back.

I ask for a vote upon my amendment.

Mr. CAPEHART. Mr. President, before a vote is taken, I wish to say that we were informed by officials of the Treasury Department only this afternoon that it may modify the rule so that hereafter it will charge as a penalty only the increase and not the total wage paid. So the Treasury Department itself has modified the rule. That is all the more reason why the Senate should adopt this amendment. The Treasury Department may change its mind within a couple of weeks or 30 days.

The PRESIDENT pro tempore. The question is on agreeing to the amendment proposed by the Senator from Illinois [Mr. BROOKS]. [Putting the question.] The Chair is in doubt.

Mr. MORSE. Mr. President, I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Andrews	Gurney	O'Mahoney
Austin	Hart	Overton
Bailey	Hawkes	Radcliffe
Bankhead	Hayden	Reed
Barkley	Hickenlooper	Revercomb
Bilbo	Hill	Robertson
Brewster	Hoey	Russell
Briggs	Huffman	Saltonstall
Brooks	Johnson, Colo.	Shipstead
Buck	Knowland	Smith
Butler	La Follette	Stewart
Byrd	Langer	Taft
Capehart	McCarran	Taylor
Capper	McKellar	Tobey
Chavez	McMahon	Tunnell
Connally	Magnuson	Tydings
Cordon	Maybank	Vandenberg
Donnell	Mead	Wagner
Downey	Millikin	Wheeler
Eastland	Mitchell	Wherry
Ellender	Moore	White
Ferguson	Morse	Wilson
George	Murdock	Young
Gerry	Murray	
Green	O'Daniel	

The PRESIDENT pro tempore. Seventy-three Senators having answered to their names, a quorum is present.

Mr. MORSE. Mr. President, on the question of agreeing to the amendment, I ask for the yeas and nays.

The PRESIDENT pro tempore. Is the demand for the yeas and nays sufficiently seconded?

The yeas and nays were ordered.

Mr. GEORGE. Mr. President, I wish to make a brief statement on the matter before the vote is taken.

I do not desire to argue the question, because I do not know anything about it. Until today I never heard of the complaint to which reference has been made.

I will say to my friends that I do not believe that the method which has been proposed is a proper method of legislating. If the abuse to which reference has been made exists, there is afforded to us an opportunity to correct it, and I would be one of the first to try to correct it. If the Treasury Department is permitting its field employees to terrorize taxpayers, it is something which should be stopped, and stopped immediately.

There is a bill pending before the Banking and Currency Committee which has jurisdiction over price-control legislation. There is a tax bill at this very hour in the Finance Committee. It is already here.

Mr. TAFT. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. TAFT. I do not know of any bill dealing with the Stabilization Act, or any likelihood that there will be one before the 1st of next July.

Mr. GEORGE. I understand that the committee is conducting investigations in regard to the matter.

Mr. TAFT. I do not understand there is any bill dealing with the Stabilization Act.

Mr. BARKLEY. There is no bill specifically pending before the Banking and Currency Committee of the character to which the Senator has referred. The committee is holding hearings, but there will have to be a bill presented long before next July. In fact, it will be before the committee soon after the first of the year, and Congress will have to determine whether it will allow the Stabilization Act to expire next June.

Mr. TAFT. The trouble in connection with those matters is that such bills are not taken up until just before the 30th of June. We will at least be postponing the matter for 8 months if we wait for any further action.

Mr. GEORGE. Mr. President, I regret being compelled to oppose the amendment of the Senator from Illinois. I would not do so under any circumstances if the facts had been developed during the hearing, and there had been opportunity to know precisely what is being done. I do not condone at all any terroristic methods which may have been employed on the part of the Treasury Department, or any of its employees.

There is another reason. We are wasting time, because the House would not accept this amendment. This bill was confined to certain rates. Already we have gone beyond the House on some matters which were remotely connected with the House program. In conference it would be a mere matter of taking the amendment and throwing it out.

There is a bill pending before the Finance Committee which at least deals with taxes and deductions of taxes. The bill will be considered very shortly. If the facts alleged shall be developed, with an opportunity on the part of officials of the Government to have a hearing on the subject, I would be among the very first to act, and I would not only remove this penalty, but put many limitations upon the penalties it may be in their power to enforce. Without regard to the merits of the matter, I hope the Senate will not adopt the amendment.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. GEORGE. I yield.

Mr. BARKLEY. I wish to concur fully in what the Senator from Georgia has said. Reading section 5 (a) I have very great doubt whether the President or the War Labor Board, or any other agency could issue a regulation going beyond the refusal to allow a deduction for the illegal excess in wages. But we have not been able to hear from the Treasury.

Mr. BROOKS. Mr. President, will the Senator yield?

Mr. BARKLEY. I do not have the floor.

Mr. BROOKS. Would not the Senator take the word of his adviser on taxes to the extent that the Treasury says they have the right, but they have not been enforcing it? Why can we not have an understanding of what the law is?

Mr. BARKLEY. I was about to suggest, in accordance with what the Senator from Georgia has said, that there is before the Committee on Finance a tax bill which has come over from the House and which is going to receive prompt and early consideration. I think the committee and the Senate are entitled to have the Treasury or any other agency come before it and make a showing, or at least explain their actions, so that we may proceed intelligently.

In view of my doubt about whether they can go beyond the illegal excess, if I find unequivocally that to be true, I shall join in having the law modified so as to make it impossible; but I do not like

to be asked to vote on an ex parte presentation of a matter in the circumstances described by the Senator from Georgia, when we know what will happen to the amendment. There is no virtue in merely agreeing to an amendment in order that someone might get it in the bill, and then have it go to conference to be thrown out the window. I should like to have the Treasury or the War Labor Board or any other agency that is doing what is charged come before the committee and explain why it is doing it, and why it assumes to think it has authorit. to do it.

Mr. BROOKS. If the distinguished majority leader finds that the Treasury or the War Labor Board have done this, will he join in limiting their power to do it?

Mr. BARKLEY. Yes, that is my present feeling. I want to be sure they are doing it—not that I doubt the sincerity of any Senator, but, as I said, the best proof is to have the witnesses who know the facts testify.

Mr. BROOKS. Mr. President, I think that since the call has been made for a quorum I should explain to Senators what the amendment means.

Mr. BARKLEY. Of course, the Senator knows that would lead to a counter explanation.

Mr. BROOKS. I think this matter is sufficiently important to justify the Senate's acting, so that if the amendment shall be adopted, even if it is not agreed to in conference, the War Labor Board and the Treasury will know how the Senate feels, that we did not intend to give them the right, merely because some employer raised the wages of his employees unwillfully, to refuse to deduct for tax purposes any part of the wages the employer paid.

Mr. BARKLEY. I should like to have a description of the state of mind of any employer who raised the wages of his employees unwillingly or unwillfully.

Mr. BROOKS. Unwillfully.

Mr. BARKLEY. Every employer knows when he raises his employees' wages. Every employer is advised as to what the law is, and while there may have been some here and there who raised wages without knowing exactly what they were doing, I think on the whole most of them knew, when they raised them above the provisions of the law, they did it in violation of the law.

Mr. BROOKS. If they did it willfully, in violation of the law, they can be put in jail for 1 year and can be fined a thousand dollars, but we should not have them continually being threatened with bankruptcy merely because they violated the law, if it is not proven that they did it willfully. That is what this amendment is aimed at.

Mr. GURNEY. Mr. President, in answer to the Senator from Kentucky, let me say that some very small concerns in my State figured that under the Little Steel formula they were allowed to raise wages as much as 15 percent, and they did so in some cases, and have been criticized since by the War Labor Board. So there was a valid excuse for some man feeling in all sincerity he was within the law when he believed he was acting within the law. Some went along 3 or 4 years, and now the War Labor Board agents come along and say, "You did thus and so, and you are subject to this much fine."

Mr. CORDON. Mr. President, much has been said in the discussion about willful violations of the law and unwillful violations, and as to the penalty which may be imposed in the former cases, and what perhaps should be imposed in the latter.

There may be some question as to just what the amendment offered by the Senator from Illinois accomplishes. Am I correct in understanding the Senator from Illinois to say that his amendment provides that in any case where an employer pays wages in excess of the amount set by the Presidential directive under the terms of section 5 (a) of the act mentioned, the excess may be disregarded as an expense item in the tax return for that year?

Mr. BROOKS. That is correct.

Mr. CORDON. And that is true whether it be intentional or unintentional?

Mr. BROOKS. Certainly, intentional or unintentional.

Mr. CORDON. So that if the amendment offered be agreed to, as of October 2, 1942, to date, every employer who paid wages in excess of the amount he was lawfully entitled to pay under the Presidential order may be required to eliminate from his tax deductions all such excess over the legal rate he might have paid, so that that would be a total loss to him in each instance?

Mr. BROOKS. That is correct.

Mr. CORDON. The only thing the amendment does then, as I understand, is to say to the employer that as to the amount which he might have legally paid he may deduct that in any instance, but he may not deduct the excess?

Mr. BROOKS. That is exactly correct.

Mr. CORDON. Let me make one more observation, and I shall be through. I call attention, then, to the law itself, and I particularly address the Senator from Illinois. Section 5 (a), to which the amendment is offered as an amendment, provides:

> No employer shall pay and no employee shall receive wages or salaries in contravention of the regulations promulgated by the President under this Act.

I call particular attention to this language:

> The President shall also prescribe the extent to which any wage or salary payment made in contravention of such regulations shall be disregarded by the executive departments and other departmental agencies.

That language would seem to me clearly to authorize the President to make any provision he desired as to the amount of money paid in excess of the legal amount, but a casual reading certainly would not give the impression, and I doubt if a careful reading would cause anyone to reach the conclusion, that that language was intended to provide in any case where an employer made a payment of a dollar over the amount he was entitled to pay, that by virtue of that excess payment of a dollar every other dollar which might otherwise be paid should become tainted and subject to that formula. I cannot believe the law was intended to mean that; and I am for the Senator's amendment.

Mr. CAPEHART. Mr. President, I now have the executive order or directive which the able Senator from Kentucky asked for a few moments ago. I shall be very happy to read it, though I do not think it is necessary to do so.

Mr. WHERRY. Let the Senator read it.

Mr. CAPEHART. It reads:

> WAGE AND SALARY PAYMENTS IN CONTRAVENTION OF THE WAGE AND SALARY LIMITATIONS
>
> Section 29.28 (a)—16 of Regulations 111 (26 C. F. R., Cum., Supp., pt. 29) is amended to read as follows:
>
> Section 29.23 (a)—16. Wage and salary payments in contravention of wage and salary limitations not deductible: In any case in which it is certified to the Commissioner, by an administering agency authorized to act in accordance with section 4001.15 of the regulations of the Economic Stabilization Director (32 C. F. R., Cum. Supp., pt. 4001) as amended, that a wage or salary payment for which a deduction would otherwise be allowable has been made in contravention of the act of October 2, 1942—

That is the act we are now asking be amended—

> entitled "An act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes" (56 Stat. 765-768; 50 U. S. C., App., Supp., secs. 961-971) as amended, or of the regulations, orders or rulings promulgated thereunder, the entire amount of such payment shall be disallowed as a deduction and not merely an amount representing the increase or decrease made in such wage or salary in contravention of such act or regulations, orders, or rulings promulgated thereunder, except that if the administering agency in the light of extenuating circumstances determines and certifies to the Commissioner that a lesser amount of such payment be disallowed as a deduction, ther only such lesser amount shall be disallowed as a deduction. Such a payment will not be allowed for this purpose notwithstanding that the same payment is also disallowed (a) for the purpose of determining costs or expenses of an employer for the purpose of some other law or regulation, either heretofore or hereafter promulgated, including the Emergency Price Control Act of 1942, or any maximum price regulation thereof; or (b) for the purpose of determining costs or expenses under any contract made by or on behalf of the United States.

That is the Executive order issued by the President and published in the Federal Register under date of March 21, 1945.

I likewise have before me the Federal Register of Thursday, October 29, 1942, in which is likewise published a similar directive or Executive order.

I again desire to call the attention of the Senate to the fact that today the Treasury Department made the statement that they realize they have the power, under the directive which I have just read, to do the things we have been talking about. But recently they have modified their ruling, and they say that hereafter they are only going to assess a fine or disallow that portion of the wages above the amount the employer was formerly paying before he gave the raise. In other words, the Treasury Department recognizes the viciousness of this Executive order, yet we know that

Government officials are today traveling all over the United States checking up on hundreds of small businesses and large businesses and trying to find out whether at some time or other during the last 4 years they overpaid some employee, and then they are threatening to disallow the total amount the employer paid to that employee as a tax deductible.

Mr. President, that is a vicious thing, and I urge that the amendment be adopted, in view of the fact that the Treasury Department itself admits that it must be wrong.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. CAPEHART. I yield.

Mr. SHIPSTEAD. I should like the Senator to tell us under what provision of law the directive was issued.

Mr. CAPEHART. Under the Stabilization Act of 1942.

Mr. MORSE. Mr. President, I shall make only a brief additional comment or two, but I do want the RECORD to show that I think this debate itself is ample proof of the undesirability of passing legislation in this manner. There are a great many facets to this question. Most of us who want the subject discussed at greater length are somewhat hesitant to take the time of the Senate now because of the importance of getting the tax bill itself passed. However, we think we should go into the detail of this question if we really are to inform the Senate fully as to the problems raised by this amendment. Nevertheless I shall not take the time now, but I think there are a couple of signal points which should be mentioned in the closing moments of this debate.

The comment has been made that if the amendment is adopted then the tax penalty will be imposed as of the amount of wages paid in excess of the legalized amount. But those who make that argument have overlooked the operative facts that were before the Government at the time the wage-stabilization program was adopted. Let me stress this point, that in those days, with the shortage of manpower that faced American industry, it was possible to get hundreds and thousands of men to leave one industry and go to another for a wage increase as little as from 2 to 3 cents an hour. In fact for many months the wage increases authorized by the War Labor Board under the various criteria that the Board was permitted to apply, as the Senator from New Jersey [Mr. HAWKES] knows, averaged around two and a half cents an hour. That is all we allowed on the average for a long period of months.

I want to point out, Mr. President, that if the amendment is adopted we will find a great many instances in which it was highly profitable for an employer to pay an illegal wage increase of 2½ or 3 cents or 4 cents or even 5 cents an hour and get the advantage of the profits that accrued to him from his being able to pirate labor away from competitors at that rate and only run the financial risk of having the illegal wage increase disallowed for tax calculating purposes.

So from the President Executive order after Executive order came down authorizing hold the line procedures and penalties. The Congress certainly itself approved of drastic penalties at the time. At least it took no steps to modify the law or check the Executive orders providing for drastic penalties.

What I want to point out is that I do not think we should now say to those employers who paid these illegal wages, "We are going to make your unlawful conduct profitable for you because the illegal wage that you paid"——

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. CAPEHART. I again wish to call the attention of the Senate to the fact that the able Senator from Oregon would like to leave the impression that under the amendment we have offered there is no penalty. There are still two penalties. No. 1 represents the excess that the employer paid, and No. 2 is the penalty under the Criminal Code, which provides for fine of $1,000 and imprisonment in jail for 2 years.

Mr. MORSE. Mr. President, I am well aware of those penalties, and I was about to address myself to them, in fact, I was just closing my discussion of the first penalty and pointing out, and I want to make my view clear to the Senator from Indiana, that the application of that penalty as it relates to the wages in excess of the legal limit would in many, many cases not be a penalty at all. Such would be the result, because by being able to pirate workers and get workers away from law-abiding employers for a small wage increase the employer could well afford to have those wages disallowed from his tax calculations and still make a great profit on his illegal act.

Let us now go into the criminal statute. I am sure I do not have to explain to the lawyers in the Senate that it is, of course, one thing under a civil action to be able to show that someone violated the law and to apply a malum prohibitum penalty but it is quite a different thing to prove a "mens re" and show a criminal intent or a willful intention to act criminally. We know that the application of criminal statutes in this field of human endeavor results in very few convictions. I think the Government was well aware of that when it used this rather drastic civil remedy. And so to say "Well, there is a criminal statute which you can apply," I think in effect begs the question insofar as the enforcement of any penalty is concerned, because by and large it is not going to result in very many criminal prosecutions or convictions.

It seems to me that we must keep this procedural problem in mind. The Senator from Illinois and the Senator from Indiana may be surprised to know it, but I find myself in agreement with them on one phase of the problem. The enforcement procedure used by the Bureau of Internal Revenue and the War Labor Board in connection with this law raises the same problem which I have mentioned in connection with a great many other agencies, such as the OPA. I have said on this floor on several occasions that I think it is of great importance that we as a Congress review the enforcement procedure of such agencies to see to it that capricious and arbitrary action is not perpetrated upon the people of this country. I will join with the Senator from Illinois and the Senator from Indiana in a review of the practices being applied in the enforcement even of this penalty, but I point out to those Senators that, of course, they are not going to prevent by their amendment the survey of the books of American business. If the Bureau of Internal Revenue carries out its legal obligation, it will continue to go into every office and plant in this country and make the determination as to whether or not the employer paid wages which were illegal, if cause is shown as to why the books ought to be investigated. So that harassing experience so far as American employers are concerned will continue under the amendment of the Senator from Illinois just as it will continue if the amendment is not adopted.

What I am interested in is seeing to it that the practices which are being adopted by some of these agencies—the term "blackmail" has been used—in forcing compromises upon American employers and businessmen without a fair judicial hearing is stopped.

In times past I have raised objection to certain practices of the OPA, and I have suggested on the floor of the Senate, and now repeat, that I think we ought to demand a procedure under which, after the Government representatives make their findings of fact from the books, they will not seek to coerce the employer or the businessman to accept a compromise which they propose. Rather they will be required to go before a judicial officer in that community, make their findings of fact known to him, and have him pass judgment on the fairness and reasonableness of the compromise proposal. That is an entirely different question, Mr. President, and yet it seems to me that it is involved in the amendment offered by the Senator from Illinois and is the basis to the objections of those who have received complaints in regard to the enforcement of the penalty we are discussing.

I close with this statement: I believe that the ramifications and implications of the amendment are such that, in fairness to many businessmen who kept full faith with our wage and economic stabilization program, we should not attempt to legislate in this way.

I repeat—and I believe that those who know me know that my word is good—that I will join with the Senator from Illinois and the Senator from Indiana in an investigation of the practices and procedures which are being applied in carrying out the penalties now invoked. But I am not going to vote here, on the basis of anything that has been said this afternoon, that every employer in the United States who took advantage of the wage stabilization program of the Government and paid illegal wages in order to pirate workers away from others should be penalized only to the extent that the wages which he paid in excess of the wages allowed by the Stabilization Act shall be disallowed for tax calculation purposes. If employers had

known that that was to be the penalty, many more employers would have been found paying illegal wages, because they could have pirated men away from other employers at a wage increase so small as to have made it highly profitable to them to pay a wage increase of 2, 3, 4, or 5 cents, and have it ignored in their tax collections.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Illinois [Mr. BROOKS]. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. BUTLER (after having voted in the affirmative). I have a general pair with the Senator from Alabama [Mr. BANKHEAD] who is necessarily absent. Not being advised as to how he would vote, I transfer that pair to the Senator from Idaho [Mr. THOMAS], and allow my vote to stand.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] and the Senator from New Mexico [Mr. HATCH] are absent from the Senate because of illness.

The Senator from Arkansas [Mr. FULBRIGHT] and the Senator from Massachusetts [Mr. WALSH] are absent because of deaths in their families.

The Senator from Arizona [Mr. MCFARLAND] is absent because of illness in his family.

The Senator from Oklahoma [Mr. THOMAS] is absent attending the Food and Agriculture Conference in Quebec.

The Senator from Utah [Mr. THOMAS] has been appointed a delegate to the International Labor Conference in Paris, and is, therefore, necessarily absent.

I further announce that the Senator from Alabama [Mr. BANKHEAD], the Senator from Mississippi [Mr. BILBO], the Senator from Nevada [Mr. CARVILLE], the Senator from New Mexico [Mr. CHAVEZ], the Senator from California [Mr. DOWNEY], the Senator from Pennsylvania [Mr. GUFFEY], the Senator from Arizona [Mr. HAYDEN], the Senator from South Carolina [Mr. JOHNSTON] the Senator from West Virginia [Mr. KILGORE], the Senator from Illinois [Mr. LUCAS], the Senator from Arkansas [Mr. MCCLELLAN], the Senator from Pennsylvania [Mr. MYERS], the Senator from Texas [Mr. O'DANIEL], the Senator from Florida [Mr. PEPPER], the Senator from Georgia [Mr. RUSSELL], the Senator from Tennessee [Mr. STEWART], and the Senator from Montana [Mr. WHEELER] are absent on official business.

The Senator from Kentucky [Mr. CHANDLER] is necessarily absent.

I also announce the following general pairs: The Senator from Utah [Mr. THOMAS] with the Senator from New Hampshire [Mr. BRIDGES]; and the Senator from Oklahoma [Mr. THOMAS] with the Senator from Indiana [Mr. WILLIS].

Mr. WHERRY. The Senator from Vermont [Mr. AIKEN] is necessarily absent. If present he would vote "nay."

The Senator from New Hampshire [Mr. BRIDGES] has a general pair with the Senator from Utah [Mr. THOMAS].

The Senator from Indiana [Mr. WILLIS] has a general pair with the Senator from Oklahoma [Mr. THOMAS].

The Senator from South Dakota [Mr. BUSHFIELD] and the Senator from Idaho [Mr. THOMAS] are absent because of illness.

The Senator from Wisconsin [Mr. WILEY] is absent on official business.

The Senator from Minnesota [Mr. BALL] and the Senator from Maine [Mr. BREWSTER] are necessarily absent.

The Senator from Indiana [Mr. WILLIS], who is one of the members of the Senate delegation to the United Nations Food and Agricultural Conference at Quebec, has been excused to attend its sessions.

The result was announced—yeas 30, nays 32, as follows:

YEAS—30

Austin	Ellender	Revercomb
Bailey	Ferguson	Robertson
Brooks	Gerry	Saltonstall
Buck	Gurney	Smith
Butler	Hart	Taft
Byrd	Hawkes	Vandenberg
Capehart	Hickenlooper	Wherry
Capper	Millikin	White
Cordon	Overton	Wilson
Eastland	Reed	Young

NAYS—32

Andrews	Knowland	Murdock
Barkley	La Follette	Murray
Briggs	Langer	O'Mahoney
Connally	McCarran	Radcliffe
Donnell	McKellar	Shipstead
George	McMahon	Taylor
Green	Magnuson	Tobey
Hill	Maybank	Tunnell
Hoey	Mead	Tydings
Huffman	Mitchell	Wagner
Johnson, Colo.	Morse	

NOT VOTING—34

Aiken	Glass	Pepper
Ball	Guffey	Russell
Bankhead	Hatch	Stewart
Bilbo	Hayden	Thomas, Idaho
Brewster	Johnston, S. C.	Thomas, Okla.
Bridges	Kilgore	Thomas, Utah
Bushfield	Lucas	Walsh
Carville	McClellan	Wheeler
Chandler	McFarland	Wiley
Chavez	Moore	Willis
Downey	Myers	
Fulbright	O'Daniel	

So Mr. BROOKS' amendment was rejected.

The PRESIDENT pro tempore. The bill is open to further amendment. If there be no further amendment——

Mr. TAFT. Mr. President, I offer the amendment which I send to the desk and ask to have stated.

The PRESIDENT pro tempore. The amendment will be stated.

The CHIEF CLERK. On page 56, at the end of line 8, it is proposed to insert the following:

SEC. 304. Paragraphs (a) (1), (a) (3), (a) (4), and (a) (6) of section 3406 of the Internal Revenue Code as enacted in the Revenue Act of 1941 are hereby repealed, effective July 1, 1946.

Mr. GEORGE. Mr. President, let me say that I am familiar with this amendment. While on its face it seems illogical, nevertheless, in view of the fact that the excise taxes may be opened up by the House conferees, it is felt desirable by the majority of the Finance Committee that we have the privilege of going into certain other excise taxes and examining them. This amendment is intended for that purpose, and it deals with certain excise taxes which certainly should be examined if there is to be any reduction of rates in any case.

Mr. TAFT. Mr. President, let me say if the House of Representatives agrees to our amendments and eliminates any reduction of excise taxes, I would agree that this amendment also be eliminated. But, as the Senator from Georgia has said, I think it should be open in conference.

The PRESIDENT pro tempore. The question is on agreeing to the amendment of the Senator from Ohio.

Mr. WHERRY. Mr. President, I should like to ask the distinguished chairman of the Finance Committee a question relative to section 722 and the way it is being administered, especially in the States in my section of the country.

Mr. GEORGE. Mr. President, will the Senator permit us to vote on the Taft amendment? It does not affect section 722.

Mr. WHERRY. Very well. I shall withhold my remarks until a vote is taken on the Taft amendment.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Ohio [Mr. TAFT].

The amendment was agreed to.

Mr. WHERRY. Mr. President, when Congress passed the excess-profits tax law, it was recognized that the two methods adopted for measuring excess profits—the invested-capital method and the earnings method—would be very inequitable to many corporate taxpayers. At the time when the law was under consideration, the people who lived in Nebraska and in the other neighboring drought States were very much disturbed over the fact that the base years under the earnings method for measuring normal profits were those of the 4-year period 1936-39. It was contended by those who paid their taxes that that was not a fair period of years over which to measure the profits which would accrue to corporations and on which to base the taxes to be paid under the excess-profits tax law.

I wish to point out to the distinguished chairman of the committee that I think more than 30,000 cases have been filed to obtain relief under section 722. There has been considerable confusion in the Treasury Department regarding whether relief will be granted to those who seek it under that section.

Mr. President, I have prepared a complete statement on the matter. I do not wish to take the time of the Senate to go into the subject in detail at this time, and therefore I ask unanimous consent to have printed at this point in the RECORD, as a part of my remarks, the statement which I hold in my hand, together with two exhibits which show the situation in which we in Nebraska find ourselves.

There being no objection, the statement and exhibits were ordered to be printed in the RECORD, as follows:

EXCESS-PROFITS-TAX RELIEF—SECTION 722 OF INTERNAL REVENUE CODE

When Congress passed the excess-profits-tax law, it was recognized that the two methods adopted for measuring excess profits—the invested capital method and the earnings method—would be very inequitable to many corporate taxpayers. At the time

when the law was up for consideration, we folks who lived in Nebraska and in the other neighboring drought States were very much disturbed over the fact that the base years under the earnings method for measuring normal profits were those of the 4-year period 1936–39. Probably not many years in all our history come the farthest from measuring normal profits in our area than these 4 years. We, in our part of the country, knew that the drought had made it impossible for most corporations to make any money at all during these years. It is believed that the large proportions of corporations were actually losing money at this time and the average earnings for Nebraska corporations for 1936–39 is a loss rather than a profit; therefore, under the earnings method, any profit that it made is defined under the excess-profits-tax law "as excess profits."

When corporations in Nebraska are forced to use the invested capital method, they are very badly treated because the average small corporation in Nebraska does not make profit from the capital invested in its business but from the personal ability and efforts of the stockholders and managers. Eight percent of the invested capital of the Nebraska corporation is almost a negligible amount; also for large numbers of corporations in our area. Under the excess-profits-tax law we are bound to use one or two of these methods in measuring normal profits and are assessed the excess-profits-tax rates on all profits earned above these amounts after subtracting the specific exemption. As stated above, those interested in sound taxation, were much opposed to the use of the years 1936–39 as the base years, but when we found that the excess-profits-tax law included section 722, we felt that this provision of the law would result in equitable treatment for the average corporate taxpayer in our area. We were sure that the drought was an event contemplated under section 722 which would permit the average corporate taxpayer in Nebraska to reconstruct his base-year earnings under the law and thus justice would be done in the last analysis.

The excess-profits-tax law left the administration of section 722 to the Treasury Department. A special bulletin has been issued by the Treasury Department instructing revenue agents quite generally to deny all claims for relief due to the drought for all nonfarming taxpayers. This bulletin admits that we had a severe drought but will not admit that the average corporation suffered any because of the drought. The Bureau will grant relief to all farmers who paid an excess-profits tax but I have yet to find a farmer who is incorporated who could have paid an excess-profits tax. Therefore, any relief due to the drought has been for the most part eliminated by the instructions to internal-revenue agents who are administering the law.

The Treasury Department has a definite thumbs-down attitude toward section 722. At the present time there is a campaign on in Nebraska to collect from corporate taxpayers excess profits that have been held back under section 722 and taxpayers are instructed by revenue agents that their cases will have to be taken to The Tax Court if they care to insist upon any relief from these high excess-profits taxes.

I am quite sure that if a study were made, it would be found that corporations in Nebraska and the other drouth States have been paying out a much larger proportion of their income in taxes than corporations doing business in other parts of the country. The reason for this is that in the other parts of the country, earnings during the base years 1936 to 1939 were fair, normal, or above normal, so that corporations doing business in all areas other than the drouth States have favorable base-year earnings and their excess-profits tax payments are greatly reduced thereby.

It is my judgment that section 722 of the Internal Revenue Code provides all the relief that we should expect, provided this law can be administered by someone with a sympathetic point of view. If the average taxpayer could sit across the table from a fair-minded administrator it is probable that relief would be granted to taxpayers if they are rightly entitled to it under section 722.

If we are going to have to look to The Tax Court for relief provided for under section 722, then most of the corporations who now need the relief will be dead and buried before the relief so sorely needed reaches them. In all other tax matters, taxpayers have a right to appeal from the decisions of The Tax Court to the Supreme Court, if that is desired. The Tax Court is the exclusive body for hearing section 722 cases and their decisions are final. It is my opinion that there should be the same privilege of appeal from the decisions of The Tax Court in section 722 cases that exists in all other tax cases.

In all other tax matters the taxpayer has the privilege of paying the tax due and suing for a refund in a local district court. As I understand, there have been more than 30,000 claims for refund filed under section 722, and under the present buck-passing procedure of the Treasury Department most of these cases will have to be tried in The Tax Court. Why not open up the district courts for consideration of these cases? I am sure that a local judge will be much more familiar with the conditions in his own territory than is possible for members of The Tax Court to understand. And there might be better administration if section 722 cases were tried in the local district courts. At least taxpayers ought to have the privilege to try their cases there if they care to. And it would make it possible to speed up the decision of section 722 cases and clear the dockets of The Tax Court, which will be full for many years to come if the present practice of the Bureau of sending everything to The Tax Court is continued.

Several years ago the desirable practice of decentralizing income-tax investigations was instituted by the Internal Revenue Bureau. The local internal-revenue agents are best equipped to examine tax returns and especially section 722 claims. At the outset the local agents settled many section 722 cases, but when the settlements reached the central office in Washington, practically all cases were returned to the field agents with instructions to disallow the claims which they had previously allowed. This very bad administrative practice has worked against the interests of the taxpayers. The result has been that the local field agents have no desire to do anything but reject all section 722 claims. They cannot be criticized from Washington when they disallow a claim as they have been for allowing claims.

It is believed that the settlement of section 722 cases can best be reached in the field. When authority from Washington is adverse to this practice, it makes it almost impossible to administer the section 722 law with speed and equity. There must be sympathetic administration of section 722 if the purposes for which it was intended are to be realized.

DROUGHT FIGURES IN NEBRASKA

Nineteen hundred and twenty-six is parity for agriculture. In this study the 3-year averages 1925–27 are considered parity, or 100 percent, or normal.

Rainfall in Nebraska

[Accepted normal=22.12 inches]

Year	Inches	Cumulative deficiency in rainfall (total from 1931)
1931	19.27	2.85
1932	20.54	4.43
1933	20.23	6.32
1934	14.31	15.13
1935	22.64	14.61
1936	14.42	22.31
1937	17.66	26.77
1938	22.23	26.66
1939	16.28	32.50
1940	17.36	37.26
1941	24.45	34.93
1942	25.17	31.88

NOTE.—The increase in rainfall in 1941 and 1942 brought back farm prosperity in 1943 and 1944. This prosperity is considered "excess-profits prosperity" because it is more than we had in 1936–39.

Farm and income statistics, average for 1936–39

	Nebraska		United States	
	Amount	Percent of normal	Amount	Percent of normal
	Thous. of bushels		*Thous. of bushels*	
Corn production	74,855	33.6	2,330,676	86.2
Wheat production	46,653	95.8	796,305	100.6
Number of hogs	1,795	37.8	45,149	82.9
Number of cattle	3,030	97.5	66,306	109.3
Cash farm income	----------	60.0	----------	80.6
Corporation receipts	----------	76.5	----------	93.2

The following table is copied from The Drought on the Great Plains in the 1930's, published by Business and Industrial Research Division, Special Economic Study No. 1, Bureau of Internal Revenue.

TABLE 20.—*Index of farm income for the United States and 8 drought States, 1927–42*

[1927–30 average=100]

Year	United States (1)	Colorado (2)	Kansas (3)	Nebraska (4)		New Mexico (5)	North Dakota (6)	Oklahoma (7)	South Dakota (8)	Texas (9)	8 drought States (10)
1927	102	102	97	94		98	114	109	94	107	102
1928	105	101	108	107		111	111	110	110	115	110
1929	107	106	111	108		110	103	113	107	104	107
1930	87	91	84	91		81	73	68	88	74	80
1931	63	63	57	62		55	41	49	62	53	55
1932	47	41	39	38		42	31	40	29	44	39
1933	53	43	41	44		44	43	51	36	55	47
1934	65	52	54	55		68	48	55	39	65	56
1935	74	61	61	55		64	47	67	44	66	60
1936	82	73	66	67	Base Period	78	54	60	56	69	65
1937	87	80	69	60		90	62	73	49	86	72
1938	78	65	53	49		83	50	66	50	72	60
1939	81	71	59	55		89	64	70	57	77	67
1940	85	73	60	60		99	72	75	63	79	70
1941	108	88	88	68		109	108	94	82	101	91
1942	147	129	125	108		161	151	133	119	137	129

NOTE.—A better study would be to compare the 8 drought States with all other nondrought States, bearing in mind the drought States have such an important influence upon the total United States farm economy.

Mr. WHERRY. Mr. President, I wish to ask the distinguished senior Senator from Georgia whether there is any thought on the part of the Finance Committee of holding hearings or whether there is any other relief which we can expect in a more sympathetic administration of the law, as defined in section 722.

Mr. GEORGE. Mr. President, I should like to say to the Senator that it has been my purpose, and it now is my purpose, to ask the Joint Committee on Internal Revenue Taxation of the two Houses of Congress to examine section 722 and subsections thereunder and to find out why it has not been administered. I can assure the Senator that I am keenly interested in this very subject. Of course, section 722 illustrates the impossibility of devising a fair and equitable excess-profits tax, and therefore I have thought from the beginning, and I now think, that the real value of the bill now before the Senate is to eliminate the excess-profits tax, because it definitely is a brake on expansion and on the development of new business. I am in thorough sympathy with making section 722 workable, because it will apply to the past, back cases, anyway.

Mr. WHERRY. That is correct.

Mr. GEORGE. If there is any needed amendment, I propose to suggest to the Joint Committee on Internal Revenue Taxation that we inquire of the Treasury Department and of the Bureau of Internal Revenue and even of The Tax Court, if necessary, to find out what amendment will make section 722 really workable and serviceable, as we intended to make it.

Mr. WHERRY. That study will be made shortly, will it?

Mr. GEORGE. It will be made just as quickly as we can get to it; yes. Certainly it will be made before Congress leaves here for the holidays.

Mr. WHERRY. I deeply appreciate that statement. If that is the relief and the procedure which the committee expects to follow relative to section 722, I am quite willing to withhold any amendments at this time; and with the statement which I have placed in the RECORD, we shall wait for the hearings of the joint committee.

Mr. GEORGE. I appreciate the Senator's action. I assure him that we will join him in an effort to have it administered.

Mr. BUTLER. Mr. President, in connection with the statement made by the Senator from Georgia, the chairman of the Finance Committee, and the statement made by the distinguished junior Senator from Nebraska [Mr. WHERRY], I should like to have inserted at this point in the RECORD a letter which I submitted to the chairman of the committee. It was addressed to me by Dana F. Cole.

Mr. GEORGE. Yes, Mr. President; I neglected to say that the senior Senator from Nebraska, as well as other Members of the Senate, likewise was very much interested in this question. The Senator from Nebraska who now is addressing the Chair, has spoken to me about it on more than one occasion.

The PRESIDENT pro tempore. Without objection, the letter submitted by the Senator from Nebraska will be printed at this point in the RECORD.

The letter is as follows:

LINCOLN, NEBR., *October 19, 1945.*

Senator HUGH BUTLER,
Senate Office Bulding,
Washington, D. C.

DEAR SENATOR BUTLER: I will try to draft in as few words as possible the thinking of the average corporate taxpayer in the drought States of Nebraska, Kansas, North and South Dakota.

When the excess-tax-profits law was adopted, it was necessary to fix some type of a measuring device for defining "excess profits." As you know, the bill provides that all earnings above 8 percent of the invested capital is defined as excess profits, under one definition. Under the other definition, 95 percent of the average earnings during the 4 base years 1936–39 are considered to be normal profits and all earnings above 95 percent of these average earnings is considered to be excess profits and subjected to the excess-profits tax. In addition, all corporations were granted the specific exemption of $5,000, later $10,000, and in the last proposal, $25,000 (not to take effect until January 1, 1946). As I view it now, the $25,000 exemption will never be of any value to taxpayers if the excess-profits tax is repealed entirely. There would have been considerable relief to the smaller taxpayers if the $25,000 exemption had been made to apply to the year 1945 rather than to the year 1946 and subsequent.

Congress recognized that in measuring excess profits at the foregoing definitions it would be utterly unfair to many corporate taxpayers. To alleviate the unfairness which would develop under the excess-profits-tax law, the Congress added section 722 to the Internal Revenue Code. This section 722 is referred to as the relief section of the excess-profits-tax law. The gist of section 722 is that if there was some event (several of which were mentioned in the law) which made the definition of the excess-profits tax unfair to taxpayers, that such taxpayers would be entitled to "reconstruct" their earning base in order to determine a more equitable excess-profits tax computation.

The reason why the average corporate taxpayer in Nebraska and the other States mentioned has been unfairly treated under the excess-profits tax is that the base years 1936–39 were anything but normal operating years in that area. The drought which we were experiencing during that period of time, and prior thereto, made it impossible for the average corporation to have normal earnings during those base years. It is my experience that the average corporation in Nebraska during the base years was actually losing money and any profit that is now made is defined as excess profits under the earnings method. When we in Nebraska have to use the invested-capital method we get practically no credit, because as you know, most businesses in Nebraska are conducted on the personal abilities of management and not upon the capital that is paid into the business.

When the excess-profits tax law was up for consideration we folks interested in sound taxation felt that section 722 would provide, in the last analysis, a fair treatment for the average corporate taxpayer in our area. We felt for sure that the drought was an event such as was contemplated under section 722 and that when the Treasury Department examined the returns of the corporations that taxpayers would be able to apply for the relief provided under section 722 and therefore the taxpayers of Nebraska would not be at a distinct disadvantage in the payment of excess-profits taxes because they would be entitled to a "reconstructed base" which would level out the credits and the taxes they would pay and put them in a more favorable position compared with taxpayers in other parts of the country.

A large proportion of the corporations in Nebraska have been subjected to the excess-profits tax because of the return of agricultural prosperity in our area during these excess-profits tax years. We have had abundant rainfall and abundant crops and as a result the net profit of corporations has reflected the return of agricultural prosperity due to the elimination of the drought. It is my private opinion that Nebraska corporations have paid a larger proportion of their income in taxes during 1943–45 due to this fact than corporations in other parts of the United States. The reason for the penalty is that the base-year earnings were so low, whereas in other parts of the country base-year earnings were fair, normal, or above normal. Corporations doing business in other parts of the country have not suffered the same penalty that we have in our area.

The elimination of the excess-profits tax law does not correct the inequalities. Taxpayers need the relief provided for under section 722 now. Many corporations are looking forward to expanding their businesses and need capital with which to do it. Many of these corporations feel that they are entitled to partial refunds of excess-profits taxes already paid in accordance with provisions of section 722 of the Internal Revenue Code. Many corporations have not paid all of their excess-profits taxes because of the provisions of section 722. However, the Treasury Department is now on a campaign trying to force these corporations to pay the additional excess-profits taxes that have been withheld under section 722 and they are denying the claims for refund provided for by section 722 of the code.

It is the observation of the average businessman that the provisions of section 722 are about as good as could be expected. All that is needed is a sympathetic administration of the law already on the statute books. However, the Treasury Department has a thumbs-down attitude on section 722. The revenue agents are being instructed to reject all claims and the buck is being passed to The Tax Court. As you well realize, if taxpayers are going to have to wait for their relief until The Tax Court can pass on their claims, that many of them will be dead and buried long before the relief to which they are now entitled is granted to them. If all section 722 cases are going to have to go through The Tax Court for final adjudication, then it becomes anything but a relief measure as it was intended.

I have a feeling that the Treasury Department will never be able to administer section 722. It is primarily a relief measure and the Treasury Department's job is to collect additional taxes and not find the refunds properly due taxpayers. It is natural that the Treasury Department's attitude is negative and that we cannot be expected to get a sympathetic administration of section 722.

It would be my suggestion that an amendment at this time would be of great benefit to all corporations that are entitled to relief under section 722, especially for the average corporate taxpayer in Nebraska, Kansas, and the other drought States. My suggestion would be that an entirely new body be created by Congress to administer section 722. I think this body should not be under the control of the Treasury Department but should be directly responsible to the Congress. I am sure that a sympathetic administration of section 722 would be all that any fair-minded taxpayer could wish for. The relief provided for by this law is needed now in this reconversion period. Such an amendment would permit taxpayers to sit across the table from a fair-minded

group whose principal job would be to get the relief to taxpayer when it is needed provided they are entitled to the relief found in the law.

If it would be possible to get such an amendment to section 722 at this time it would greatly speed up the reconversion program in our area.

Respectfully yours,

DANA F. COLE.

Mr. BUTLER. Mr. President, now that I have had printed in the RECORD the letter which I submitted a few days ago to the chairman of the Finance Committee, and to which he has made reply, as he has stated on the floor of the Senate, let me say for the record, in reply, that the chairman of the committee agrees that section 722 should be considered, but not in connection with this bill. He has said it is his intention to give it consideration at an early date.

Mr. GURNEY. Mr. President, I had intended to offer an amendment to the pending bill; but I realize that I was rather late in submitting the amendment just a few days before the committee finished its deliberations and hearings on the bill, as it now appears before the Senate. I was glad to hear that another tax bill is now before the committee, and I shall submit the amendment in connection with the tax bill which the committee now has before it. The amendment seeks to relieve from the Federal motor-fuel tax any motor-fuel which contains 5 percent of alcohol made from domestic farm crops. As a matter of historical interest, let me say that in 1939 the Senate showed a very sympathetic interest in the plan of making a larger market for farm crops by using some of the surpluses in making power alcohol. In 1939 it was voted down, but without having a hearing on the part of the Finance Committee or without having a report from the committee. However, it was rejected only by a vote of 28 to 38.

In view of the fact that farm-crop surpluses probably will accumulate in the future, and having in mind the experiences of the recent war in the use of alcohol, and also that the Treasury is a little short of funds, I am thinking that Congress now will consider more thoroughly a plan of this nature, which has as its objective providing a larger market for farm crops, thereby making it unnecessary to pay such large Federal subsidies. I bespeak the consideration of the members of the committee for this idea. I shall submit the amendment as an amendment to the bill which the Finance Committee now has under consideration.

The PRESIDENT pro tempore. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill was read a third time.

The PRESIDENT pro tempore. The bill having been read the third time, the question is, Shall it pass?

The bill, H. R. 4309, was passed.

The PRESIDENT pro tempore. Without objection, the Secretary will be authorized to correct paragraph, subsection, and section numbers in the bill.

Mr. GEORGE. Mr. President, I was about to make that request.

I now ask that the bill be printed with the Senate amendments numbered.

The PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. GEORGE. I also move that the Senate insist upon its amendments, request a conference thereon with the House of Representatives, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. LA FOLLETTE, and Mr. TAFT conferees on the part of the Senate.

AUTHORIZATION FOR SIGNING OF BILLS, ETC.

Mr. BARKLEY. Mr. President, in view of the fact that I propose shortly to move that the Senate take a recess until Friday next, I ask unanimous consent that during the recess the Secretary of the Senate be authorized to receive messages from the House of Representatives, and that the Presiding Officer be authorized to sign bills and resolutions.

The PRESIDENT pro tempore. Without objection, it is so ordered.

HEARINGS ON AIRPLANE AND AIRCRAFT DISPOSAL

Mr. O'MAHONEY. Mr. President. I desire to make an announcement for publication in the RECORD that on Monday next at 10:30 o'clock in the morning, in the Senate Office Building, the Surplus Property Subcommittee of the Committee on Military Affairs will hear a report from the Assistant Secretary of War for Air, Mr. Robert A. Lovett, on the disposal of Government-owned aircraft plants. This report has been in process of preparation for a period of 2 years, and it involves matters of great interest in which Members of the Senate and of the House of Representatives are very vitally concerned. The report recommends comprehensive industrial preparedness measures to insure the ability of this country to produce aircraft and aerial weapons in order to meet military needs in another emergency. It deals with the necessity of maintaining a peacetime industrial reserve of specialized aircraft plants, and standard machine tools in specified locations throughout the Nation. The importance of preserving the geographical dispersion of aircraft production achieved during World War II, as a measure of vital national defense, is also stressed in the report.

Conferences have been held between the Postmaster General, Mr. Hannegan, and Assistant Secretary of War Lovett, with respect to the possibility of utilizing surplus aircraft for a more complete system of carrying the Nation's mail by air. It is the hope of Postmaster General Hannegan that all first-class mail may be transported hereafter by air, and he is hoping that the Government's surplus planes may be utilized for this purpose by commercial lines.

In view of the widespread interest which this presentation will have to a number of committees of both Houses, I, as chairman of the Surplus Property Subcommittee, have invited the members of the Military and Naval Affairs Committees, the George and Colmer Postwar Economic Planning Committees, the Woodrum Postwar Military Policy Committee, the Manasco Committee on Executive Expenditures, and other committees of both Houses of Congress concerned with aviation policy and plant disposal, to participate in the hearing.

Mr. President, I make this announcement so that all Senators who may be interested may have an opportunity of attending the committee hearing if they so desire.

NOTICE OF HEARING ON NOMINATION OF JORGE LUIS CORDOVA DIAZ TO BE ASSOCIATE JUSTICE, SUPREME COURT OF PUERTO RICO

Mr. ANDREWS. Mr. President, on behalf of the Committee on the Judiciary, and in accordance with the rules of the committee, I desire to give notice that a public hearing has been scheduled for Wednesday, November 7, 1945, at 10:30 a. m., in the Senate Judiciary Committee room in the Capitol building, upon the nomination of Jorge Luis Cordova Diaz, of Puerto Rico, to be associate justice of the Supreme Court of Puerto Rico, vice Honorable Martin Travieso, elevated. At the indicated time and place all persons interested in the nomination may make such representations as may be pertinent. The subcommittee in charge consists of the Senator from Florida [Mr. ANDREWS], chairman, the Senator from Mississippi [Mr. EASTLAND], and the Senator from West Virginia [Mr. REVERCOMB].

BLACK HILLS, S. DAK., AS SITE FOR WORLD CAPITAL

Mr. GURNEY. Mr. President, the Black Hills mountain country in western South Dakota is adjacent to the States of Wyoming and Nebraska. In South Dakota we are proud that the governors of those two adjoining States have joined with our Governor in extending an invitation that the world capital be located in the Black Hills of South Dakota.

I have today delivered to each Senator on the floor a description of the site, together with arguments in favor of its selection. I ask unanimous consent that there be printed in the RECORD at this point, as a part of my remarks, the complete text of the invitation submitted by the three governors.

There being no objection, the matter was ordered to be printed in the RECORD, as follows:

THE BLACK HILLS MOUNTAIN COUNTRY SITE FOR WORLD CAPITAL

General description: The Black Hills mountain country is an area of 6,000 square miles in the States of South Dakota, Nebraska, and Wyoming. It contains the loftiest mountains in the United States with the exception of the Rocky Mountain system. The region rises from the level plains surrounding it to altitudes of 7,242 feet above sea level. It is covered with forests and interspersed with beautiful mountain lakes, streams, valleys and plateaus. It has one of the most pleasant climates in the world and is ideal in its

health and living conditions. In its majestic environment could be constructed a new city for a new idea in the new world.

I. Physical and natural geographic characteristics of Black Hills are ideal for the world capital.

II. The area is free from local influences which would detract from world capital activities.

III. The historical and political background of the Black Hills provides an appropriate foundation for administration of United Nation's affairs.

IV. This region has high educational standards.

V. Recreational advantages are prominent.

VI. A site in the Black Hills would be adequate from the standpoint of military defense and control.

I. PHYSICAL AND NATURAL GEOGRAPHIC ITEMS FAVOR THE BLACK HILLS MOUNTAIN COUNTRY

1. World location: Accompanying map by Luvine Berg, worked out to mathematical accuracy, shows that the Black Hills mountain country, in the center of the North American Continent, in the United States of America, at the junction of the sovereign States of Nebraska, Wyoming, and South Dakota, is most equally convenient from the standpoint of distance to all the nations of the world. It also shows that under future air travel, this area is not more than 24 hours distant from any of the capitals of the United Nations. The first statement may be questioned on the theory that the earth is a globe and that any point on it is equally convenient with any other point. This is only theoretically true. If the world was all one land mass and its countries of identical size and shape, it would be true, but the way the land mass of the world is located, and the way the nations are divided by their boundaries, the claim above made becomes absolutely true.

2. Climate: The area has typical temperate-zone climate, which is made more equable by the varied terrain and heavy growth of forests and the fact that it is in the midst of the Great Plains country. The following should be noted about its climate:

a. Absence of humidity.

b. Absence of smoke, dust, and gases.

c. Absence of extremes of temperature.

d. Absence of strong winds—no storms or hurricanes.

e. Variety of climate—cool, sunny summers; beautiful spring and fall; moderate winters; we have all four seasons with a gradual change from one to the other.

3. Natural advantages peculiar to the Black Hills mountain country: Pure, bracing air; pure water; absence of insects; heavy forests; variety of altitudes; variety of flora and fauna, climate, and scenery.

4. Variety: The variety of conditions is remarkable. In the Black Hills mountain country are all of the following:

1. Plains.
2. Prairies.
3. Rolling country.
4. Hills.
5. Plateaus.
6. Mountains.
7. Valleys.
8. Forests.
9. Lakes.
10. Streams.
11. Gold.
12. Rocks.
13. Various soils.
14. Wild game: Buffalo, deer, antelope, elk, game birds of many kinds.
15. Variety of plant life and forest timber.
16. Variety of colossal statuary: The Needles as natural statuary; Mount Rushmore as man-made statuary; world's largest collossi.
17. Mineral deposits exposing practically all the classified elements of the earth.
18. Fields, pastures, mines, factories, mills, towns, and cities.

5. Sites: There are numerous sites of varied size and description throughout the 6,000 square miles where a world city may be built and where the individual nations may construct their own establishments isolated from the headquarters and from each other as they may choose.

II. THE BLACK HILLS MOUNTAIN AREA IS FREE FROM LOCAL INFLUENCES WHICH MIGHT DETRACT FROM THE ACTIVITIES OF THE WORLD CAPITAL

1. There is no large city near to absorb the identity or individuality of the world capital city.

2. It is not near the capital of any nation where undue influences might affect it.

3. It is near the junction of three sovereign States, all interested in it.

4. It is in a region of comparatively sparse population, so that the residents of the new world zone would not have to displace, nor conflict with local interests of any large groups of people.

5. It is in the approximate center of the North American Continent, so that there would be no preferential advantage to Europe, Asia, or Africa by locating here. Their advantages in the location would be practically equal.

III. THE HISTORICAL AND POLITICAL BACKGROUND OF THIS AREA PROVIDES AN APPROPRIATE FOUNDATION FOR THE ADMINISTRATION OF UNITED NATIONS AFFAIRS

1. The population of the North American Continent is of conglomerate nature. The area was settled and developed by people from all the nations of Europe and from many places in Asia and Africa. Practically every color, race, creed, and nation of people have been prominent in the settlement and development of the North American Continent. All nations would find large groups of their own nationals established here.

2. The basic element of the Government here is the absolute equality of all persons, regardless of color, race, or creed.

3. Another basic element is complete freedom of religion and complete separation of church and state. All religions have complete freedom and equal rights before the law. There is no state religion.

4. The various nations of the North American Continent are all similar in having a union of sovereign states operating under a federal or over-all superior government. This system has developed successfully throughout the years so that the several national governments have maintained peace among their sovereign states and among themselves to a far greater degree than at any other place in the world, and ever before throughout history. That system is similar to the system proposed by the United Nations Charter.

5. The nations of the North American Continent are all examples of government conducted by the people themselves. All of them have governments in which the people elect and control the representatives and officials who in turn administer government responsive to the people themselves. It is largely because of this that the various races, colors, creeds, and nations represented in our conglomerate population have been able to live and develop harmoniously and effectively as nations.

6. America is the last of the major continents to see political organization of states and nations. The American continent is new in world history. It is therefore freer from past historical influences than any other continent. The center of this continent is the Black Hills mountain country. It is the youngest of all in point of development, and offers a place particularly adapted to the objectives and problems of the United Nations as proposed under the Charter.

7. Establishing the capital in the center of the North American Continent insures the most effective cooperation of the nations of that continent. It is equally convenient to all the great nations which surround it. It is the most equally convenient to all the other nations of the world. It will be a location conducive to the most general support of all nations of the world.

8. The Luvine Berg map shows many advantages of this site for the organized nations as they exist today:

(a) The Dominion of Canada, and thereby the British Empire, is only a few hundred miles from it. Much of Canada is of French origin.

(b) The Asiatic Continent, and the part of it controlled by Russia practically touches this North American Continent.

(c) The stepping stones of Iceland and Greenland practically unite the continent to Europe.

(d) The most distant political organizations, Australia, New Zealand, South Africa, are parts of the British Empire, which has Canada practically adjoining the site we are proposing.

(e) The South American Continent has nations all with historical and political background and organization almost identical with this continent and conveniently located from a travel standpoint. They can come by automobile direct to the Black Hills over the Pan-American Highway.

IV. EDUCATION AND CULTURE

The Black Hills States rank among the first eight in the Nation as to literacy. The excellent system of public education is an encouragement to those who desire to rear their families in this area. Advanced training in public and private colleges and universities in the arts and sciences in this area has developed many persons of national and international prominence.

V. RECREATION

Stream and lake fishing; hunting deer, antelope, elk, and game birds; swimming in cool streams, lakes, or hot springs; bridle trails, tennis, golf; celebrations and rodeos; in fact, a variety to suit every taste and inclination.

VI. MILITARY DEFENSE AND CONTROL

1. The capital would have a site safe from military operations or capture by any nation other than the United States of America. Some one nation must be entrusted with the site. The United States of America has taken a prominent part in the past 30 years in trying to formulate a world organization for preservation of peace. It can be expected to aid the present proposed organization materially and in every way of reasonable national influence toward success. A site in the center of it should be the safest possible site and the most impartial for all concerned in the success of the United Nations organization.

2. The countries which control the atomic bomb should use it only to maintain world peace. The capital of the world should be in the region where this great power for continuing good was first brought into practicable operation. A world capital and the embassies and establishments of the nations, situated in the Black Hills mountain country, would be in a region best suited to atomic bomb defense and adaptable to atomic bomb maintenance of world peace.

DWIGHT GRISWOLD,
Governor, State of Nebraska.
M. Q. SHARPE,
Governor, State of South Dakota.
LESTER C. HUNT,
Governor, State of Wyoming.

LEGISLATIVE PROGRAM

Mr. WHITE. Mr. President, is the able majority leader in position to indicate what will be taken up at the next session of the Senate?

Mr. BARKLEY. So far as I can tell, nothing of any importance will be taken up. If this were Thursday, I should

move a recess until Monday, but we must meet either tomorrow or Friday, and I thought it would be better to meet Friday. We may recess from Friday to Tuesday, but we will recess at least until Monday.

Mr. WHITE. I thought that possibly the disputed conference report might be taken up.

Mr. BARKLEY. That subject may be taken up. It is up to the committees which are involved in the matter.

Mr. WHITE. Very well.

EXECUTIVE SESSION

Mr. BARKLEY. I move the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to consideration of executive business.

EXECUTIVE MESSAGE REFERRED

The PRESIDENT pro tempore laid before the Senate a message from the President of the United States submitting the nominations of sundry postmasters, which was referred to the Committee on Post Offices and Post Roads.

(For nominations this day received, see the end of Senate proceedings.)

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. McCARRAN, from the Committee on the Judiciary:

Irvin C. Mollison, of Illinois, to be judge of the United States Customs Court, vice Thomas J. Walker, deceased.

By Mr. CONNALLY, from the Committee on Foreign Relations:

Avra M. Warren, of Maryland, now a foreign-service officer of class 1, to be Envoy Extraordinary and Minister Plenipotentiary to New Zealand;

Samuel J. Fletcher, of Maine, now a foreign-service officer of class 2 and a secretary in the diplomatic service, to be also a consul general of the United States of America;

Renwick S. McNiece, of Utah, now a foreign-service officer of class 3 and a secretary in the diplomatic service, to be also a consul general of the United States of America;

Hassell H. Dick, of South Carolina, now a foreign-service officer of class 3 and a secretary in the diplomatic service, to be also a consul general of the United States of America;

Robert B. Streeper, of Ohio, now a foreign-service officer of class 4 and a secretary in the diplomatic service, to be also a consul general of the United States of America; and

Stephen C. Brown, of Virginia, now a foreign-service officer of class 6 and a secretary in the diplomatic service, to be also a consul of the United States of America.

By Mr. GEORGE, from the Committee on Finance:

James J. Connors of Juneau, Alaska, to be collector of customs for customs collection district No. 31, with headquarters at Juneau, Alaska (reappointment).

By Mr. BAILEY, from the Committee on Commerce:

Sundry employees for appointment in the Coast and Geodetic Survey.

By Mr. McKELLAR, from the Committee on Post Offices and Post Roads:

Sundry postmasters.

The PRESIDENT pro tempore. If there be no further reports of committees, the clerk will state the nominations on the calendar.

POSTMASTERS

The legislative clerk proceeded to read sundry nominations of postmasters.

Mr. BARKLEY. I ask unanimous consent that the nominations be confirmed en bloc, and that the President be notified.

The PRESIDENT pro tempore. Without objection, the nominations of postmasters are confirmed en bloc, and, without objection, the President will be notified forthwith.

That completes the calendar.

RECESS TO FRIDAY

Mr. BARKLEY. Mr. President, as in legislative session, I move that the Senate take a recess until Friday next at 12 o'clock noon.

The motion was agreed to; and (at 5 o'clock and 48 minutes p. m.) the Senate took a recess until Friday, October 26, 1945, at 12 o'clock meridian.

NOMINATIONS

Executive nominations received by the Senate October 24 (legislative day of October 22), 1945:

POSTMASTERS

The following-named persons to be postmasters:

FLORIDA

Ralph B. Wakeland, Parish, Fla. Office became Presidential July 1, 1945.

GEORGIA

Charles O. Carter, Climax, Ga., in place of A. J. Trulock, transferred.

ILLINOIS

Clyde V. Manny, Ivesdale, Ill., in place of U. A. Tempel, transferred.

Lewis H. Jenkins, West Liberty, Ill. Office became Presidential July 1, 1945.

INDIANA

Walter Bouse, Claypool, Ind., in place of L. B. Pontius, transferred.

Idelle M. Gallaher, Mellott, Ind. Office became Presidential July 1, 1945.

Lydia A. Mann, Stillwell, Ind. Office became Presidential July 1, 1945.

KANSAS

Ralph Ganson, Canton, Kans., in place of A. M. Johnson, resigned.

KENTUCKY

Laura M. Mathews, Petersburg, Ky. Office became Presidential July 1, 1945.

Harris A. Stancil, Wheelwright, Ky., in place of J. C. Cantrell, resigned.

LOUISIANA

Lezin J. Lambert, Sorrento, La. Office became Presidential July 1, 1945.

MINNESOTA

Herman B. Lund, Dalbo, Minn. Office became Presidential July 1, 1945.

Bonnie B. Martinson, Upsala, Minn., in place of A. E. Osberg, deceased.

Fred A. Melcher, Woodstock, Minn., in place of G. J. Klosterman, removed.

MISSOURI

Maud E. Wilson, Lonejack, Mo. Office became Presidential July 1, 1945.

NEBRASKA

Raymond A. Walker, Clatonia, Nebr. Office became Presidential July 1, 1945.

Mae Slater, Hordville, Nebr. Office became Presidential July 1, 1945.

NEW JERSEY

Paul F. Brady, Kirkwood, N. J. Office became Presidential July 1, 1945.

Mary C. Myers, Quinton, N. J. Office became Presidential July 1, 1945.

NEW MEXICO

Quirino Atencio, Dixon, N. Mex. Office became Presidential July 1, 1945.

Richard K. White, Fort Wingate, N. Mex. Office became Presidential July 1, 1945.

NEW YORK

Charles R. Freece, East Worcester, N. Y. Office became Presidential July 1, 1945.

Joyce S. Walrod, Georgetown, N. Y. Office became Presidential July 1, 1943.

Anna C. Townsend, Glenham, N. Y. Office became Presidential July 1, 1945.

Bethel Waters, Marcellus Falls, N. Y. Office became Presidential July 1, 1945.

John F. Quigley, Mottville, N. Y. Office became Presidential July 1, 1945.

Elizabeth F. Filkins, Riparius, N. Y. Office became Presidential July 1, 1945.

John Speed, Slaterville Springs, N. Y. Office became Presidential July 1, 1945.

NORTH DAKOTA

Edward P. Kulseth, Gardner, N. Dak. Office became Presidential July 1, 1945.

George W. Skinner, Grandin, N. Dak. Office became Presidential July 1, 1945.

OHIO

Lucy A. Chandler, Bannock, Ohio. Office became Presidential July 1, 1945.

Wallace A. Hamsher, Berlin, Ohio. Office became Presidential July 1, 1945.

Ruth E. Bailey, Franklin Furnace, Ohio. Office became Presidential July 1, 1944.

Abner D. Banning, Nutwood, Ohio. Office became Presidential July 1, 1945.

Bertha B. Emmons, Pettisville, Ohio. Office became Presidential July 1, 1945.

NORTH CAROLINA

Annie D. Clark, Oriental, N. C., in place of C. E. Curtis, removed.

Frank W. Fortescue, Scranton, N. C. Office became Presidential July 1, 1945.

OREGON

Emma B. Rowell, Rickreall, Oreg. Office became Presidential July 1, 1944.

SOUTH CAROLINA

Luther C. Davis, Georgetown, S. C., in place of L. C. Davis, April 26, 1942.

Kathryn T. Blanchard, Moultrieville, S. C., in place of B. W. Smoak, deceased.

SOUTH DAKOTA

Granvel N. Collins, Camp Crook, S. Dak. Office became Presidential July 1, 1945.

Evalyn A. Berndt, Mansfield, S. Dak. Office became Presidential July 1, 1945.

WASHINGTON

J. Frank Hall, Edwall, Wash. Office became Presidential July 1, 1945.

WISCONSIN

Nina O. Peterson, Comstock, Wis. Office became Presidential July 1, 1945.

Jeanine M. Gulan, Gile, Wis. Office became Presidential July 1, 1945.

Maud E. Odekirk, Springbrook, Wis. Office became Presidential July 1, 1945.

CONFIRMATIONS

Executive nominations confirmed by the Senate October 24 (legislative day of October 22), 1945:

POSTMASTERS

ARIZONA

Frank V. Howey, Cactus.
Gladys E. Tanner, Emery Park.
Helen M. Young, St. David.
Elmer L. Hinners, Somerton.

IOWA

Loretta Stapleton, Elma.
Carl W. Bruggeman, Farmington.
Grover B. Chryst, Forest City.

MINNESOTA

Walter Freudenberg, Saginaw.
Eldora J. Pilotte, Sedan.

NEBRASKA

Bertha A. Lancaster, Barnston.
Russell E. Wilson, Blue Springs.
Lois H. Lincoln, Scotia.

NEW MEXICO

Vincent C. Steele, Grenville. (To correct spelling of name of office.)

NORTH CAROLINA

Floyd P. Thomas, Madison.
Helen H. Johnson, Morrisville.

VIRGINIA

Susie A. Davis, Nathalie.

HOUSE OF REPRESENTATIVES

WEDNESDAY, OCTOBER 24, 1945

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O Thou whose dwelling place is in the light eternal, help us to see the good and the evil, and choose this day whom we shall serve. With Christlike fervor, enable us to put to shame any false idols of our hearts, free from the swelling words of vain self-esteem. Give us grace to contend fearlessly with the wrong that doth so easily beset us, and hear the beating of our Saviour's heart for a world in ruins, struggling to be redeemed. In our dreams and visions may we see our Nation rising out of the losses and tragedies of war, producing that wealth of treasure which no moth of disunity can corrupt and no injustice can destroy. We pray that we may live under the benign sway of great truths, being just by being true. Humbly and wisely we would devote time and talent to the larger claims of our country, that out of the antagonisms throughout our land may come the glory of a new order, wherein dwelleth reason and brotherhood, progress and peace. In the name of Him who took upon Himself the form of a servant. Amen.

The Journal of the proceedings of yesterday was read and approved.

RESIGNATION FROM HOUSE OF REPRESENTATIVES

The SPEAKER laid before the House the following communication:

OCTOBER 20, 1945.

Hon. SAM RAYBURN,
Speaker of the House of Representatives, Washington, D. C.

DEAR MR. SPEAKER: I beg leave to inform you that I have this day transmitted to the Governor of Virginia my resignation as a Member of the House of Representatives in the Congress of the United States for the Sixth District of Virginia, to be effective as of midnight, December 31, 1945.

With assurances of the highest esteem, I beg to remain,

Very truly yours,

CLIFTON A. WOODRUM.

WOMAN'S ENFRANCHISEMENT DAY

Mr. HOBBS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (S. J. Res. 107) authorizing the President to proclaim November 2, 1945, as Woman's Enfranchisement Day in commemoration of the day when women throughout the United States first voted in a Presidential election.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, will the gentleman from Alabama explain the legislation?

Mr. HOBBS. Mr. Speaker, I would be very happy to do so, but I would rather, if the gentleman does not mind and with the permission of the Speaker, ask the gentleman from Massachusetts [Mr. GOODWIN], the author of the resolution, to explain it.

Mr. MARTIN of Massachusetts. Mr. Speaker, I yield to the gentleman from Massachusetts.

Mr. GOODWIN. Mr. Speaker, the joint resolution requests the President to issue a proclamation designating November 2, 1945, as Woman's Enfranchisement Day in commemoration of the day when women first voted in a Presidential election. I have introduced an identical resolution which is now pending in the House, having been reported favorably by the Committee on the Judiciary, and now on the Consent Calendar. Since time is distinctly of the essence, I hope, Mr. Speaker, that the House will now pass this joint resolution.

The coming November 2 is the twenty-fifth anniversary of one of the historic dates in our national life, for on November 2, 1920, the women of America were first privileged to vote in a Presidential election.

It seems fitting that the Congress should request the President to make a proclamation designating November 2, 1945, as Woman's Enfranchisement Day to commemorate the occasion and to call for an observance of the day throughout the land with such ceremonies as the people may deem appropriate in their several communities.

During the quarter century following their enfranchisement, women throughout the country have taken an interest in public affairs which was not possible before they had the vote. Their devotion to the public welfare has been superb and has had a refining effect upon every phase of our political life. This influence for good has reached into every community whenever National, State, or municipal elections have been held.

Recognition of the silver anniversary of this historic day will result in widespread observance by various patriotic societies and women's clubs and in the churches, schools, and community centers.

Thus will we mark an important milestone in our national progress toward community welfare and human betterment.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. MICHENER. This has nothing to do with the so-called equal-rights amendment?

Mr. GOODWIN. No; Mr. Speaker, it is entirely in connection with the commemoration of the day on which women first voted in a Presidential election.

Mr. MARTIN of Massachusetts. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There being no objection, the Clerk read the joint resolution, as follows:

Resolved, etc., That the President of the United States is authorized to issue a proclamation designating November 2, 1945, as Woman's Enfranchisement Day and calling upon the people throughout the United States to observe the day with appropriate ceremonies in celebration of the twenty-fifth anniversary of the day on which women throughout the United States first cast their votes in a Presidential election.

Mr. HOBBS. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOBBS: In line 3, strike out the word "authorized" and insert "requested", and in the title, the first word, strike out the word "Authorizing" and insert the word "Requesting."

Mr. HOBBS. Mr. Speaker, the only amendments are those amending the title by striking out the word "authorizing" and substituting the word "requesting", and in the body of the resolution striking out the word "authorized" and inserting in lieu thereof the word "requested." The purpose of this request for the immediate consideration of this resolution is simply that the date on which it is to become effective is November 2 and before the regular call of the Consent Calendar, of course, that day will have passed. So I hope there will be no objection.

The SPEAKER. The question is on the amendment offered by the gentleman from Alabama [Mr. HOBBS].

The amendment was agreed to.

The Senate joint resolution was ordered to be read a third time, and was read the third time, and passed.

The title was amended so as to read: "Requesting the President to proclaim November 2, 1945, as Woman's Enfranchisement Day in commemoration of the day when women throughout the United States first voted in a Presidential election."

A motion to reconsider was laid on the table.

A similar House joint resolution (H. J. Res. 255) was laid on the table.

PRODUCTION OF SUGAR AND SIRUP

Mr. DOUGHTON of North Carolina. Mr. Speaker, I ask unanimous consent for the immediate consideration of Senate Joint Resolution 100 permitting alcohol plants to produce sugars or sirups simultaneously with the production of alcohol until July 1, 1946.

The Clerk read the title of the Senate joint resolution.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, may we have an explanation of this legislation?

Mr. DOUGHTON of North Carolina. The purpose of the resolution is to permit the production of sugar and sirup from high moisture or damaged grain and surplus potatoes in plants which produce alcohol. Under the present law, they are forbidden from producing anything other than alcohol in their plants. The purpose of the resolution is to take care of the surplus potatoes and also to take care of the shortage in sirups and sugar. It has a twofold purpose. The joint resolution was unanimously reported by the Committee on Ways and Means.

It has the support of the Treasury Department. At least, they have no objection to it. The Secretary of Agriculture has written a letter to the distinguished gentleman from Nebraska [Mr. CURTIS], who reported the bill.

I now yield to the gentleman from Nebraska [Mr. CURTIS], who reported the bill.

Mr. CURTIS. Mr. Speaker, I shall be brief on this. We have a great many alcohol plants throughout the country which have been producing alcohol for the war effort. Much of it went into synthetic rubber. It was used for other war purposes. There is no demand for the greater portion of this alcohol at the present time, but we do have a situation where we have 60,000,000 bushels of potatoes that are surplus. They are spoiling. They cannot be sent abroad because of lack of refrigeration.

In addition to that, there is a great amount of damaged and wet corn, and it is anticipated there will be more wet corn this year. We have need for sugar and sirup, especially for industrial uses.

A law passed back in 1866 provided that the alcohol plants could not produce any other product. The purpose of this was to facilitate the collection of the tax on alcohol. This bill would permit those plants that are alcohol plants to make sugar and sirups until July 1, next. It makes no change in the permanent law.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. RICH. Is that going to give us more sugar for domestic consumption?

Mr. CURTIS. It will. It will make a great contribution to our sugar supply.

Mr. RICH. Will there be any legislation permitting this sugar that is made in these alcohol plants to be used in the alcohol plants to make more liquor?

Mr. CURTIS. It does not involve that problem at all.

Mr. RICH. We are assured of more sugar if this bill is permitted to pass?

Mr. CURTIS. Yes; and especially sirups. Those sirups can be used by industrial users of sugar, and will make all types of sugar more available.

Mr. RICH. We are hearing a great deal about alcohol plants using sugar and taking it from the table. This will in no way affect that?

Mr. CURTIS. As a matter of fact, this does not involve the beverage alcohol type of plant.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. JENKINS. I am in favor of the gentleman's bill. I think it will be a fine thing. Under the provisions of the bill, can these alcohol plants go into the dehydration program, dehydrating potatoes?

Mr. CURTIS. Not under this bill.

Mr. JENKINS. That is a very necessary thing. For instance, up in New Jersey, our Republican food study committee made some investigations in the potato fields up there, and also in Maine. We found that because of these investigations they are already taking potatoes out of New Jersey, at the rate of 50 carloads a day, to dehydrating plants. My impression is that these dehydrating plants do have some connection with making alcohol.

Mr. CURTIS. This legislation primarily deals with the type of plant and products where there is no reconversion problem at all. So that, without change, for 2 or 3 days they can make sirup, and then switch back to making alcohol, and vice versa.

Mr. HOEVEN. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. HOEVEN. Will this bill preclude the use of these plants for the manufacture of alcohol from corn?

Mr. CURTIS. Not in the least; no.

Mr. HOEVEN. If there should be a surplus of corn, these plants will be available?

Mr. CURTIS. This legislation is here because there is no present adequate demand for industrial alcohol.

Mr. HOEVEN. The manufacture to which I refer—of alcohol from corn—is not included in this bill?

Mr. CURTIS. Not at all.

Mr. GRANGER. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. GRANGER. The gentleman will assure us that this is for the utilization of surplus potatoes, wheat, and so forth, and will end on July 1 of this year?

Mr. CURTIS. That is correct.

Mr. HOOK. Mr. Speaker, will the gentleman yield?

Mr. CURTIS. I yield.

Mr. HOOK. Will this in any way interfere with the synthetic rubber industry?

Mr. CURTIS. Oh, no; not at all. In fact, indirectly I think it will be of great benefit to the synthetic-rubber industry.

Mr. McCORMACK. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. McCORMACK. I knew this bill was coming up. The gentleman from North Carolina [Mr. DOUGHTON] contacted me this morning. The passage of this bill does not mean any appropriations by the Federal Government to any agency. Is that correct?

Mr. CURTIS. That is correct; and it does not affect the revenue in any way.

Mr. DOUGHTON of North Carolina. It does not interfere with the production of alcohol; the production of alcohol, sugar, and sirup can be carried on simultaneously.

Mr. STEFAN. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. STEFAN. Further answering the gentleman, I may say that this merely clarifies an old law which prohibits any plant manufacturing alcohol to engage in the manufacture of sugars and sirup. That law goes way back to 1866.

Mr. McCORMACK. I simply wanted to disabuse the membership of any idea that the passage of this bill would be followed by any appropriation.

Mr. MARTIN of Massachusetts. It is very unusual in that respect.

Mr. MILLER of Nebraska. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. MILLER of Nebraska. In my humble opinion the passage of this resolution would aid in the disposition of surplus farm products. This will make possible the use of some 60,000,000 bushels of potatoes for the making of sirups and glucose which can be used by industry. There is also a great need for dehydrating this surplus potato crop. The Scottsbluff Valley in Nebraska last year used the beet-factory machinery to turn surplus potatoes into dehydrated stock food. This should be continued. Sugar is short in this country. One reason we have a surplus of potatoes is due to the fact that the Government made the raising of potatoes and beans more attractive than the raising of sugar beets; hence the farmers raised beans and potatoes but not sugar beets. If a price reflecting a profit for sugar beets were assured, sufficient sugar would be available in this country. The result of the passage of this resolution will be to make it possible to use this surplus farm product, potatoes, in the making of glucose and sirup.

Mr. CASE of South Dakota. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. CASE of South Dakota. Just yesterday I was reading of some potato-feeding demonstration projects which are being established in New England because the potato crop up there was so large that under our support program they accumulated a lot of potatoes in the name of the Government. The statement was made that to get rid of this surplus, feeding demonstration projects were being set up whereby any farmer could come and get free at the siding all the potatoes he could use for feeding livestock, the only obligation on his part being to make a report on the result of the feeding tests.

Mr. STEFAN. Mr. Speaker, if the gentleman will yield, and answering the gentleman from South Dakota. I have been informed by the Department that a lot of these Government potatoes have been given away for demonstrations similar to the one he referred to.

Mr. CASE of South Dakota. As I understand it, under the price-support program the potatoes bought in the name of the Government are Nos. 1 and 2 grades, with the result that on the market we are getting the poorer grade potatoes.

Mr. STEFAN. Will this bill reach that situation?

Mr. CASE of South Dakota. I am very sorry to say that it will not.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield.

Mr. JENKINS. I may say to the gentleman that in our investigation we found several universities in the country, especially those that have laboratory facilities, making investigations in various new uses of potatoes, with very desirable consequences. It does look as though they have been able to perfect something whereby the potatoes can be used not only in silos but in other ways to add to the food economy of the Nation, using the methods these chemists have been able to develop.

Mr. STEFAN. This bill does seek to do something about food conservation.

Mr. SMITH of Ohio. Mr. Speaker, reserving the right to object, I should like to know why industrial alcohol plants were restricted from producing these other things, sugars and sirups, in the first place.

Mr. CURTIS. If the gentleman will yield I will be glad to answer.

Mr. SMITH of Ohio. I yield.

Mr. CURTIS. That restriction was carried in a law dating back to 1866. It was for the purpose of facilitating the collection of revenue on alcohol that they did not permit any plants that produced alcohol to make any other product whatsoever. This has been worked out satisfactorily to the Treasury. It sets aside that provision until July 1 next.

The SPEAKER. Is there objection to the present consideration of the resolution?

There being no objection, the Clerk read the resolution, as follows:

Resolved, etc., That part II of subchapter C of chapter 26 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"SEC. 3126. Emergency production of sugars and sirups in industrial alcohol plants.

"(a) In General: Notwithstanding the provisions of sections 2819 and 3122, and of any other law, until July 1, 1946, sugars and sirups from potatoes and from high moisture or damaged grain may be produced in industrial alcohol plants simultaneously with, or alternately with, the production of alcohol.

"(b) Regulations: The Commissioner, with the approval of the Secretary, is authorized to prescribe regulations to carry out the provisions of this section."

The resolution was ordered to be read a third time, was read the third time and passed, and a motion to reconsider was laid on the table.

MAJ. GEN. GEORGE F. MOORE

Mr. LUTHER A. JOHNSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LUTHER A. JOHNSON. Mr. Speaker, Maj. Gen. George F. Moore, who was commander of Corregidor when it fell, has recently returned to the United State after 4 years' imprisonment in Japan.

The defense of Corregidor by General Moore and those under him will go down in history as a brilliant military operation in fighting the enemy against overwhelming odds. The sufferings and sacrifices of General Moore during the long defense of Corregidor and his subsequent imprisonment and the indignities heaped upon him and his men by Japan will not be forgotten by the American people.

The Coast Artillery Association has just given a reception in his honor at the Shoreham Hotel in Washington, which was attended by a large number, among whom were many distinguished guests, all of whom were proud to pay tribute to this great military leader, who is a native Texan, a graduate of Texas A. & M., and commandant there when he went to the Philippines.

General Moore is one of the real heroes of this war, and history will so acclaim him.

EXTENSION OF REMARKS

Mr. WASIELEWSKI asked and was given permission to extend his remarks in the RECORD on two subjects and include in each an editorial.

Mr. HOOK asked and was given permission to extend his remarks in the RECORD and include a radio speech on the subject of Federal aid to education.

Mrs. DOUGLAS of California (at the request of Mr. DE LACY) was given permission to extend her remarks in the RECORD.

Mr. DE LACY asked and was given permission to extend his remarks in the RECORD and include a statement from the American Slav Congress.

PERMISSION TO ADDRESS THE HOUSE

Mr. DE LACY. Mr. Speaker, I ask unanimous consent that on Friday next, after disposition of matters on the Speaker's table and at the conclusion of any special orders heretofore entered, I may be permitted to address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

EXTENSION OF REMARKS

Mr. HOCH asked and was given permission to extend his remarks in the RECORD in two instances and in each to include a letter from a soldier.

Mr. BIEMILLER asked and was given permission to extend his remarks in the RECORD and include a speech by himself on the Wagner-Murray-Dingell bill.

Mr. BUNKER asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. HARLESS of Arizona asked and was given permission to extend his remarks in the RECORD in two separate instances and include letters.

Mr. O'NEAL asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. LESINSKI asked and was given permission to extend his remarks in the RECORD and include a statement released to the press yesterday by the Democratic members of the Michigan delegation endorsing the take-home-pay program of industrial workers.

REPUBLICAN LEGISLATIVE PROGRAM

Mr. SAVAGE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mr. SAVAGE. Mr. Speaker, I note in Monday's Washington Post that Mr. Herbert Brownell, chairman of the Republican National Committee, has called for the formation of a positive legislative program to present to the people in the next election. Mr. Brownell adds that attacks on the New Deal and President Roosevelt are not enough to convince the people to vote for a Republican regime.

We hope that this will bring to an end the GOP campaign of vilification and hate against the memory of our late great President, a campaign which is disgusting all decent people.

Brownell knows that the people of America prefer the New Deal to the old deal that gave us the Hoover depression, and that the Republican party must offer the people some kind of a new deal in order to get votes enough to control Congress.

It is certainly interesting to hear the Republican national chairman admit that his party has been going along for 12 years without any program at all, except that of attacking the progressive and liberal measures advocated by President Roosevelt and President Truman, and given a vote of confidence in every election since 1932.

However it really does not make much difference what Brownell and his cohorts bring forth, since the people of this Nation are pretty well convinced by now that no matter what the titular heads of the Republican party advocate, the GOP leaders in Congress will manage to repudiate it, as they have in the past, by their reactionary attitude. Their voting record clearly shows their allegiance to special interests over the common man. Their votes on the floor of Congress certainly do not coincide with their campaign promises.

We wish Mr. Brownell well. He has a mighty tough job ahead of him in selling any kind of a progressive legislative program to the Republican congressional leaders.

THE KELSEY-HAYES CONTROVERSY

Mr. LESINSKI. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

[Mr. LESINSKI addressed the House. His remarks appear in the Appendix.]

EXTENSION OF REMARKS

Mrs. DOUGLAS of Illinois asked and was given permission to extend her remarks in the RECORD and include two editorials.

Mr. KEOGH (at the request of Mr. HEFFERNAN) was given permission to extend his remarks in the RECORD and include an article.

Mr. HEFFERNAN asked and was given permission to extend his remarks in the RECORD and include a farewell address delivered by Capt. John L. Beebe, former superintendent of the United States

Maritime Service Training Station, Sheepshead Bay, N. Y.

Mr. PRICE of Illinois asked and was given permission to extend his remarks in the RECORD in two instances and include articles in each.

Mr. OUTLAND asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

Mr. COFFEE asked and was given permission to extend his remarks in the RECORD in three instances, and include in each excerpts from newspaper and magazine articles.

Mr. BRADLEY of Michigan asked and was given permission to extend his remarks in the RECORD in two instances; to include in one a radio address delivered by him, and in the other a letter from former Governor Chase S. Osborne, of Michigan.

Mr. KUNKEL asked and was given permission to extend his remarks in the RECORD and include excerpts from a radio address delivered by him.

PERMISSION TO ADDRESS THE HOUSE

Mr. STEFAN. Mr. Speaker, I ask unanimous consent that on Wednesday next, at the conclusion of the legislative program of the day and following any special orders heretofore entered, I may be permitted to address the House for 25 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. KUNKEL. Mr. Speaker, I ask unanimous consent that on Tuesday next, at the conclusion of the legislative program of the day and following any special orders heretofore entered, I may be permitted to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

CLIFTON A. WOODRUM

Mr. RICH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. RICH. Mr. Speaker, I was very sorry to hear the resignation of the gentleman from Virginia [CLIFTON A WOODRUM] read a few minutes ago. This House is going to lose one of the most outstanding Members I have had the privilege of associating with in the last 10 years. I think CLIFF WOODRUM is one of the most capable, one of the most earnest, and one of the most energetic individuals that we have had in the House of Representatives since I came here. If there is anyone that I would want to follow as a parliamentarian and as a good debater, I think it would be CLIFF WOODRUM. He has been one of the grandest men that I ever knew, and I think that this House is going to lose one of the finest men that it has ever been my privilege to associate with while in the House of Representatives. We are sorry to see him go away from the House of Representatives, and we wish him Godspeed in any of his undertakings, and wish him happiness, good health, and much prosperity.

RADIO NEWS COMMENTATORS

Mr. HOLMES of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. HOLMES of Massachusetts. Mr. Speaker, there have been recent references on the floor of the House to radio news commentators and in general the observations of Members of this body have been critical. Perhaps a word of commendation for a radio news program of very exceptional quality is in order. I refer to the General Electric's Voice of Washington news summary we hear every morning at 8 o'clock and at 11 o'clock each evening over Station WOL.

Many of my colleagues have mentioned these particular newscasts to me and in every instance their straight news character has been noted and approved. There is no editorial comment and the presentation is neither colored by inflection nor used as a vehicle for the personal opinions of the broadcaster. In fact, the man giving the news on these General Electric programs is never mentioned by name.

If we are critical of some of the things being said over the air when we tune in to hear the news, we should note this splendid public service being rendered by the General Electric Co. with its WOL news programs and let the sponsor and the radio station know of our appreciation. This is the route to go to get action for radio advertisers who want to hold their audiences. When they know we want and appreciate unbiased news they will soon demand it in news programs they sponsor and the result will be a general handling of news on the radio comparable to the high standards governing the news columns of our great newspapers.

Mr. CARLSON. Mr. Speaker, will the gentleman yield?

Mr. HOLMES of Massachusetts. I yield to the gentleman from Kansas.

Mr. CARLSON. I concur most heartily in the remarks just made. As a regular listener of the Voice of Washington news program I am very much impressed with its high quality. I also believe the General Electric Co. uses excellent judgment in its advertising on the program. It is brief, interesting, and dignified and in keeping with the quality of the news program.

EXTENSION OF REMARKS

Mr. JONKMAN and Mr. BUFFETT asked and were given permission to extend their remarks in the RECORD.

Mr. McDONOUGH asked and was given permission to extend his remarks in the RECORD on atomic energy.

Mr. MILLER of Nebraska asked and was given permission to extend his remarks in the RECORD on the subject of shotgun shells, and further to extend his remarks on the subject of continuing the draft and include a telegram sent to General Hershey.

Mr. KNUTSON asked and was given permission to extend his remarks in the RECORD and insert a memorial from the Board of County Commissioners of Morrison County, Minn.

Mr. VURSELL asked and was given permission to extend his remarks in the RECORD and include articles from the Washington Post, the Washington Times-Herald, and the Washington Star.

THE COAL STRIKE

Mr. JONKMAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. JONKMAN. Mr. Speaker, the public, as expressed in many newspaper editorials a few days ago, wondered why John Lewis called off the coal strike. Paragraph 17 of the antitrust laws provides that they shall not "forbid or restrain individual members of such (labor) organizations from lawfully carrying out the legitimate objects thereof." I wonder if John Lewis realized that by his breach of contract to coerce the foremen into organizing he was not lawfully carrying out a legitimate object.

I have numerous complaints from my district that if cold weather sets in early there will be hardship and suffering because of the lack of the coal not mined during the strike.

If such is the case, why does not the Attorney General take cognizance of this situation and prosecute John Lewis and his coconspirators? In that way he would reach only the racketeer labor leaders. Organized labor as such, which was opposed to the strike, would in no way suffer.

UNIVERSAL MILITARY TRAINING

Mr. McDONOUGH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include House Resolution 325.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

[Mr. McDONOUGH addressed the House. His remarks appear in the Appendix.]

GENE SLATTERY OF NORTH PLATTE, NEBR.

Mr. MILLER of Nebraska. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Nebraska?

There was no objection.

Mr. MILLER of Nebraska. Mr. Speaker, we have in my Fourth District in Nebraska a young man 12 years of age by the name of Gene Slattery, who comes from North Platte, Nebr. This young man has made a worthy contribution to the war effort. He conceived the idea, when attending one of the auction sales in North Platte, of selling the shirt off his back in order to get money for the North Platte servicemen's canteen.

The canteen at North Platte is one of the outstanding canteens of the country. It has fed over 3,000,000 servicemen. The Union Pacific trains all stop

at this junction point. Towns as far as 160 miles away send delegations and contributions to this canteen. The soldiers going through are given a cup of coffee, a sandwich, or a birthday cake.

Gene Slattery has sold his shirt off his back 21 times and has raised over $2,000 for this worthy project. The shirt was sold at sums ranging from $48 to $201.20. William Jeffers, the president of the Union Pacific Railroad, paid $105 for one of Gene's shirts—later returning it to Gene. Brig. Gen. B. B. Miltonberger auctioned one of Gene's shirts for $187.05. Dr. Dorwart, of Lexington, paid $201.20 for the boy's shirt. This young man pulled weeds and earned $15 with which he bought a wool blanket and had it auctioned off for $150—all of the proceeds going to the servicemen's canteen. He has raised similar amounts of money for the Red Cross, the March of Dimes, the Community Chest, and other benefits.

Mr. Speaker, this wide-awake young man has shown ingenuity and vision. It is young men like him who will make up the America of tomorrow. May we have more Gene Slatterys in the Government of tomorrow.

PERMISSION TO ADDRESS THE HOUSE

Mr. DONDERO. Mr. Speaker, I ask unanimous consent that on Friday, after the disposition of business on the Speaker's desk and the conclusion of special orders heretofore entered, I may address the House for 10 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HALE. Mr. Speaker, I ask unanimous consent that today, immediately after the address by the gentleman from Mississippi [Mr. RANKIN], I be permitted to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Maine?

There was no objection.

EXTENSION OF REMARKS

Mr. SMITH of Wisconsin asked and was given permission to extend his own remarks in the Appendix of the RECORD and to include a speech.

COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

Mr. COCHRAN. Mr. Speaker, I ask unanimous consent that the Committee on Expenditures have permission to sit during the session of the House this afternoon.

The SPEAKER. That is, during general debate?

Mr. COCHRAN. During general debate.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

EXTENSION OF REMARKS

Mr. STEVENSON asked and was given permission to extend his remarks in the RECORD and include therein a statement together with a letter.

EMERGENCY LEGISLATION

Mr. GRANT of Indiana. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks and include as part of my remarks a list I have prepared of emergency Federal statutes.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

[Mr. GRANT of Indiana addressed the House. His remarks appear in the Appendix.]

SELECTIVE SERVICE

Mr. GAVIN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks, and include a letter from Selective Service Director Lewis B. Hershey.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. GAVIN. Mr. Speaker, some time ago it was called to my attention that boys were being called into the service through selective service before completing their high-school education, and I am pleased to say that national headquarters of Selective Service System, Gen. Lewis B. Hershey, Director, has advised me that on September 19, 1945, the selective-service regulations were amended to take care of this situation.

I am placing a copy of Gen. Lewis B. Hershey's letter in the RECORD, for the information of the membership:

NATIONAL HEADQUARTERS,
SELECTIVE SERVICE SYSTEM,
Washington, D. C., October 20, 1945.

The Honorable L. H. GAVIN,
House of Representatives.

DEAR MR. GAVIN: I am in receipt of your letter of October 17 concerning the status of high-school students.

On September 19 selective-service regulations were amended to provide that any person who entered upon a course of instruction at a high school or similar institution of learning before he became 18 years of age and who is ordered to report for induction during the time he is pursuing such course of instruction, shall, upon his request, have his induction postponed until his graduation from a high school or similar institution of learning, or until he ceases to pursue continuously and satisfactorily such course of instruction, or until he arrives at the age of 20 years, whichever is the earlier.

Sincerely yours,
LEWIS B. HERSHEY, *Director.*

The SPEAKER. The time of the gentleman from Pennsylvania has expired.

EXTENSION OF REMARKS

Mr. REED of New York asked and was given permission to extend his remarks in the Appendix of the RECORD and to include a newspaper article and also some quotations.

UNIVERSAL MILITARY TRAINING

Mr. SMITH of Ohio. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. SMITH of Ohio. Mr. Speaker, President Truman in his message yesterday urged Congress to immediately enact legislation for outright compulsory military training and nothing else. His attempt to make the people believe that he was not asking for compulsory military training is just plain deception.

Forcing every young man in the United States between the ages of 18 and 20 into a military camp for 1 year makes it a compulsory military program, regardless of what you label it. Indeed, the President asked for a compulsory military-training program and something more. He called for the complete regimentation of every youth in the 18 to 20 age group when he asked that those not physically fit for combat duty be trained in whatever war service they could perform. Surely the people ought to know by this time that regimentation itself is a part of the administration's program. Matters in this respect have not changed.

The Constitution specifically prohibits compulsory military training. The program proposed is opposed to American tradition. I still believe the principles of the Constitution to be correct that adequate defense for the United States can be provided by a Regular Army, Navy, and Militia (National Guard) on a voluntary basis.

In any event this subject is too vital to the American people to be summarily disposed of as recommended by the President. If the administration wants compulsory military training it ought to be willing, in the next election, to go before the people of the country and tell them frankly that it wants compulsory military training and let the voters decide the matter by amending the Constitution.

PERMISSION TO ADDRESS THE HOUSE

Mr. MARTIN of Massachusetts. Mr. Speaker, I ask unanimous consent that the gentleman from South Dakota [Mr. CASE] may be permitted to address the House for 15 minutes on tomorrow after the legislative program of the day and following any other special orders that may have been entered.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

EDUCATIONAL PROGRAM

Mr. WHITE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD at this point and include the language in the bill H. R. 4471 which I have introduced, carrying forward our educational program.

The SPEAKER. Is there objection to the request of the gentleman from Idaho?

There was no objection.

Mr. WHITE. Mr. Speaker, in his memorable address in this Chamber yesterday, the President told us "the United States now has a fighting strength greater than at any other time in our history. It is greater than any other nation in the world."

Mr. Speaker, our educational system and the superiority of the technical training of the American youth has given America its preeminence among world powers. Now that we have won the war our country cannot afford to sacrifice the education of its youth by keeping them in the armed service when there are so many citizens who have finished their schooling available for peacetime military service. In order that all the youth of this country may take advantage of their educational opportunity, I have introduced a bill to release them from mili-

tary service that they may complete their education.

H. R. 4471

A bill to provide for the discharge or release of certain persons from the military and naval forces and to postpone the induction of others

Be it enacted, etc., That section 5 (f) of the Selective Training and Service Act of 1940, as amended, is amended to read as follows:

"(f) Any person between the ages of 18 and 26 who, while pursuing a course of instruction at an educational or training institution, is ordered to report for induction under this act, shall, upon his request, have his induction under this act postponed until he has completed his education or training. The term 'between the ages of 18 and 26' shall refer to men who have attained the eighteenth anniversary of the date of their birth, but who have not attained the twenty-sixth anniversary of the date of their birth."

SEC. 2. Any person in the military or naval forces who desires to resume his education or training by enrolling in an educational or training institution, if his education or training was impeded, delayed, interrupted, or interfered with by reason of his entrance into the service, shall, upon aplication, be discharged from or released from active duty in such forces without delay. Any such person who was not over 25 years of age at the time he entered the service shall be deemed to have his education or training impeded, delayed, interrupted, or interfered with.

EXTENSION OF REMARKS

Mr. RANKIN asked and was given permission to extend his remarks in the RECORD and include a newspaper article.

UNIFORM SYSTEM OF BANKRUPTCY

Mr. SLAUGHTER. Mr. Speaker, I call up House Resolution 374 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 4160) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto. That after general debate, which shall be confined to the bill and shall continue not to exceed 2 hours to be equally divided and controlled by the chairman and the ranking minority member of the Committee on the Judiciary, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the reading of the bill for amendment, the Committee shall rise and report the same back to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SLAUGHTER. Mr. Speaker, this is a resolution making in order the consideration of the bill H. R. 4160, which is a bill to reform and to modernize the Bankruptcy Code.

I have no requests for time on this side. The bill will be explained by members of the Committee on the Judiciary.

I now yield 30 minutes to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Speaker, the importance of the bill which this rule makes in order is only equaled by its technicality. We have a splendid, comprehensive and effective national bankruptcy law. The several parts, provisions, and sentences in such a law must be so synchronized as to work in perfect rhythm if the law is susceptible of effective administration.

The original concept of constitutional bankruptcy has been changed and expanded. By virtue of this amplification, the work of referees is entirely different than it was when the law was originally enacted in 1898. No law of this character can be successfully written in a town meeting, in a mass meeting, or on the floor of the House.

The Bankruptcy Subcommittee of the Committee on the Judiciary has pondered these proposed amendments not only for months but for years. It has had the assistance of all those groups and agencies participating in the administration of bankruptcy law, as well as those affected either from the standpoint of the creditor or the standpoint of the bankrupt. In fact, I know of no group that is opposing this bill, with the possible exception of a few referees from the larger cities who, under existing law, have very large incomes resulting from the present fee system. It is only human nature that these referees, who can realize from $15,000 to $50,000 a year from bankruptcy fees, should object to a law that fixes their compensation at not more than $10,000 a year, or the amount now received by the Federal judge appointing the referee and to whom the referee is responsible.

Mr. Speaker, the author of the bill, the gentleman from Illinois [Mr. REED], who is a member of the Bankruptcy Subcommittee, and the gentleman from Alabama [Mr. HOBBS], who is chairman of the subcommittee, will go into detail in their explanation. Naturally this will come in the 2 hours' general debate provided in the rule. May I suggest to the membership, however, that it will find a very complete analysis of the bill in the committee report which was submitted by the chairman of the subcommittee, the gentleman from Alabama [Mr. HOBBS]. That report is concurred in not only by the members of the subcommittee but by the members of the whole Committee on the Judiciary. It should be a part of the record in this discussion. I shall, therefore, include it and adopt the language therein as my analysis of the bill. The report is as follows:

GENERAL STATEMENT

This bill is aimed primarily at setting up a system of full-time salaried referees to replace the present system of essentially part-time referees compensated on a fee basis.

The committee on bankruptcy administration of the Conference of Senior Circuit Judges has devoted a great deal of time to this measure during the past 3 years. United States Circuit Judge Orie L. Phillips, of Denver, Colo., a member of the Conference, is chairman of that committee. The bill has the approval of the bankruptcy committee and the Conference of Senior Circuit Judges. The report of the bankruptcy committee, made in September 1944, states in part:

"Neither the fee system of compensating referees nor the indemnity fund system of providing funds to pay the expenses of operating the referees' offices works satisfactorily because of the violent fluctuations in the volume of bankruptcy cases. When the volume is abnormally large, referees' compensation in many instances is too high and indemnity fund balances too large. When the volume of business is abnormally small, referees are not adequately compensated, nor are they able to finance the expenses of their offices from current business. A fee and indemnity system is archaic and impracticable and should be abandoned in favor of the referees' salary system."

A fee system of compensation is objectionable for many reasons and has been done away with in most public offices, State and National. In many matters that come before the referee for decision his compensation will be directly affected by the decision he reaches. Whether his decision is or is not affected, it is unfair to place him in this position.

Under the existing system, due to the great fluctuation in the volume of business, referees are poorly paid in many districts, and it is becoming increasingly difficult to secure competent referees. Also, referees are now required to pay the expense of operating their offices out of the business coming to each office. The individual referee's office is too small a unit upon which to base their financing. More than 35 percent of the active referees have been required to make advances from personal funds to pay the expense of operating their bankruptcy offices. These advances have in some instances reached staggering amounts, and there is no way to recover these advances should the referee go out of office. The proposed bill, through the creation of a national expense fund, will put the financing upon a national basis designed to be self-sustaining as under the present act. There is an immediate urgency for the passage of the bill.

The present legislation had its inception in the report released by the Attorney General's committee on bankruptcy administration early in January 1941. The original bill, H. R. 4394, was introduced by Representative Charles F. McLaughlin, of Nebraska. After hearings before the Special Subcommittee on Bankruptcy and Reorganization, the bill was amended, reintroduced, and reported favorably to the House as H. R. 7814 (H. Rept. No. 2666, 77th Cong., 2d sess.). Identical bills were introduced in the Seventy-eighth and Seventy-ninth Congresses by Representative Sam HOBBS, of Alabama, as H. R. 1107 and H. R. 33, respectively. Representative CHAUNCEY W. REED, of Illinois, introduced a similar measure, H. R. 3338, on May 28, 1945. Extensive hearings were held on H. R. 33 and H. R. 3338 in June 1945, following which an amended bill, H. R. 4160, was recommended favorably to the full committee.

ENDORSEMENTS

The bill has the unanimous support of all persons and groups who appeared before the committee, including the National Bankruptcy Conference, which consists of representatives of the American Bar Association, the American Bankers Association, the creditor groups, referees, accountants, law professors, and bankruptcy experts. Also, this proposed legislation has the active support of the following:

The Attorney General.
The Conference of Senior Circuit Judges.
The Securities and Exchange Commission.
The Civil Service Commission.
The National Retail Credit Association.
The Commercial Law League of America.
The Bankruptcy Committee of the Section on Corporations, Banking and Mercantile Law of the American Bar Association.
The National Association of Credit Men.
The Bar Association of the City of New York.
The Minneapolis Association of Credit Men.
The Colorado Bar Association.
The Denver Bar Association.
The Chicago Bar Association.
The Bar Association of St. Louis, and many others.

SUMMARY OF THE BILL

Section 1 of the bill amends section 1 of the Bankruptcy Act by adding explanatory definitions of several new terms recurrently used in the bill, namely, "circuit," "senior circuit judge," "conference," "council," and "Director."

The act creating the Administrative Office of the United States Courts (Public Law No. 299, 76th Cong., 1st sess.) set up the office of Director and provided for councils composed of the circuit judges of each circuit, to act as the primary administrative bodies of the circuit. A considerable portion of the framework of this bill revolves about the Administrative Office, particularly those sections relating to the surveys to be made to ascertain the total number of referees that will be necessary, the territories that they are to serve, the salaries that they are to receive, and the charges which are to be assessed against estates. It has therefore been necessary to define these terms.

Section 2 amends section 34 of the act. The appointment of referees remains in the hands of the district judges. Where there is more than one district judge in the territory, appointments are to be made by a concurrence of a majority.

The term of office is extended from 2 to 6 years. A referee shall be reappointed upon the expiration of the term of his office, unless there is cause for not reappointing him by reason of incompetency, misconduct, or neglect of duty. In the case of a part-time referee, an additional cause for not reappointing him shall be that his services are not needed. The security of tenure afforded by the bill is one of its most important features. The increase in the length of the term, together with the provisions on reappointment and removal, should go far toward assuring a competent referee of continuity in office. The procedure for removal of a referee for cause is set forth in section 34c. In addition, part-time referees may be removed at any time if their services are no longer needed.

The initial terms of the first appointees are to be separated into three groups and the groups have been staggered to expire every 2 years. All subsequent appointments and reappointments are to be for a full term.

Section 3 amends section 35 of the act and prohibits a referee from holding any office other than conciliation commissioner or special master under the Bankruptcy Act, provided, however, that a part-time referee may be a commissioner of deeds, United States commissioner, justice of the peace, master in chancery, notary public, or either a conciliation commissioner or a supervising conciliation commissioner, but not both. In practice, this will permit a full-time referee to serve also as a conciliation commissioner and as a special master under the Bankruptcy Act, but he may not serve as a supervising conciliation commissioner. A part-time referee may serve also either as a conciliation commissioner or a supervising conciliation commissioner, but not both. The changes in clauses 4 and 5 are merely conforming changes.

Section 4 amends section 37 of the act. The bill provides that the Director shall have 1 year within which to make a survey of the entire country in order to ascertain the total number of referees needed, the territories they are to serve, the salaries they are to be paid, and the schedules of charges to be made in asset, arrangement, and wage-earner cases, keeping in mind a full-time system wherever possible. In making these determinations he is to consider both Nation-wide and local conditions, including the amounts available for salaries, the areas and populations to be served, the transportation and communication facilities, the previous types and amount of business under this act in such areas and where such business is centered, the existing personnel, and any other material factors.

The Director and the Administrative Office are best suited to perform a task of this kind. The bankruptcy division in that office is in possession of a great deal of the necessary information, having at hand the necessary bankruptcy statistics and possessing considerable other data which are essential to a survey of this kind. The work could be done thoroughly and impartially. The bankruptcy system needs flexibility, since there may be a considerable variation in the amount of bankruptcy business from year to year. It would seem advisable to entrust this work to the Conference of Senior Circuit Judges and to the Director of the Administrative Office.

In the course of making these surveys the Director is to take into consideration the views of the district judges, referees, bar associations, trade associations, and any other interested bodies and individuals. His final recommendations are to be submitted to the district judges, the circuit councils, and to the judicial conference. The district judges will have an opportunity to transmit their views to their own judicial councils, and through their own senior circuit judge to the Conference. Thus the Conference, prior to making the final determinations, will have the benefit of the views of the Director and of all the judges concerned.

Where it is deemed advisable, the Conference may designate a referee to preside over an area which lies within more than one judicial district. While this would undoubtedly be unusual, it gives the system a good deal more flexibility than would otherwise be possible.

Whenever the office of referee is vacant the clerk is to notify the Director of such vacancy. If the vacancy is a permanent one no appointment to fill it shall be made until the judges are authorized to do so by the Conference. The Conference is empowered, in the light of the recommendation of the Director and of the councils, to change the number and territories of referees, pursuant to section 37c. This subdivision permits reductions in the number of referees to be made only after the office is permanently vacant. A referee can be removed only pursuant to the provisions of section 34c. However, deaths, resignations, and the power of temporarily assigning existing referees from other areas will allow ample leeway for contracting or expanding the system as the amount of business may require.

Section 5 amends section 39 (b) of the act by prohibiting full-time referees from practicing law. Active part-time referees and those receiving retirement benefits will be permitted to practice law except in proceedings under this act.

Section 6 completely rewrites section 40 of the act. The amendments provide for placing all of the referees upon a salaried basis with full-time referees receiving between $3,000 and $10,000 a year. The cost will be borne by the bankrupt estates. The amount of the salary is to be fixed by the Judicial Conference, after it has received the recommendations of the Director, the district judges, and the councils. The maximum salary for part-time referees has been fixed at $2,500, a sum slightly below the minimum for a full-time man. In fixing the amount of salary to be paid, consideration is to be given "to the average number and types of, and the average amount of gross assets realized from, cases closed and pending in the territory which the referee is to serve, during the last preceding period of 10 years, and to such other factors as may be material."

Subdivision b of this section is aimed at assuring a referee that he will receive, throughout his term as referee, the minimum amount of salary fixed for him at the time that he originally takes office. It would be difficult to induce a man to forego a well-established law practice and to accept office as referee if he were not to be assured of at least his starting salary. The security of tenure provided by the provisions on reappointment and removal would mean little if the referee could be forced out of office by a marked decrease in his salary. The committee does not believe that this provision will prove either unduly expensive or make the act too inflexible, for the Conference can expand or consolidate the territory of a referee and can make a redetermination of the salary to be paid whenever the office becomes vacant.

The proviso at the end of subdivision b is intended to discourage frequent small changes in the salaries of referees. It should be noted, however, that the salaries of part-time referees can be changed at any time and, subject to the prescribed maximum, in any amount.

The present act and the general orders contemplate reimbursement to the referee for actual expenditures through the promulgation of local indemnity rules fixing the charges to be made against bankrupts and their estates for the payment of expenses. As heretofore pointed out, the individual referee's office is too small a unit of operation and this, together with the fluctuations in the volume of business, has made it necessary for many referees in times of low volume to personally advance substantial sums to pay their official expenses. Such a system is unsound and cannot be justified in the operation of any court. In some districts this situation has been met by abnormally high expense charges, both to the bankrupts and to their estates where assets are administered. This has resulted in wide variations in the amounts charged for expenses. The uniformity of bankruptcy administration contemplated by article 1, section 8, clause 4, of the Constitution has not been accomplished in this regard.

Two principal changes to improve this situation have been made in the pending legislation. Firstly, it is intended to simplify the charges for referees' expenses and compensation so that they will be easy of computation and uniform throughout the country. Secondly, it is intended to finance the bankruptcy system on a Nation-wide basis and thus relieve the referee of the responsibility of financing his office as an individual unit.

The bill contemplates a simplified system based upon two essential levies: (1) a fixed filing fee, and (2) an additional fixed charge in asset, arrangement, and wage-earner cases according to the size of the estate. These charges will replace the present varied and often complex ones. The compensation and expense charges can be automatically combined since the bases probably will be the same, and they have the additional merit of being readily ascertainable and easily collectible. Each case will bear part of the cost and the asset cases, which generally require the most attention, will pay a larger proportionate share. The system will be uniform throughout the country and will be based on a national operation rather than the individual referee's office.

Paragraph (4) of section 40c provides for the creation of two trust funds in the Treasury of the United States. One is to contain the receipts from referees' compensation including any fees and allowances earned by the referees while acting as conciliation commissioners or special masters under the act, and it is to be utilized for the payment of their salaries. The other is to contain the funds collected for referees' expenses and is to be utilized to pay the salaries of their clerical assistants, office, travel, and general overhead expenses. If there be any deficiency in these revolving funds, the Treasury is to make the payments due out of the general funds of the United States. When-

ever it becomes necessary, the Director is to adjust, with the approval of the conference, the schedules of additional charges in asset and other cases, so that reimbursement may be made to the Treasury as soon as the appropriate fund creates a surplus.

It is intended that the total amount of fees and allowances to be collected for referees' compensation and for their expenses will approximate, respectively, the total amount of the salaries of the referees in active service and the total amount of their expenditures on a yearly basis. The Director is authorized to raise or lower the charges once a year if necessary, but in an amount which is not to total more than 10 percent of the previous year's collections. In this way, so far as the Government is concerned, the system will be self-sustaining over a period of years, as it is at present.

Paragraph (3) of section 40c provides for charges for special services by the referees such as certifying records, supplying transcripts, and similar services. The charges, fixed by the Director and the conference, are to be collected by the referee and transmitted by him to the clerk for deposit in the referees' expense fund in the Treasury.

Bankrupts today pay $25 to the clerk of the court at the time each petition is filed, $15 of which goes to the referee and $10 remains with the clerk. Investigation discloses that the $10 retained by the clerk for his bankruptcy services are greater in proportion than amounts which he collects for other services. The amount retained by the clerk for his services has been decreased to $8 by section 52a. Paragraph (1) of section 40c increases the amount to be paid into the United States Treasury for the referees' salary fund to $17, leaving the total amount of these two items the same as under the present act. This paragraph further provides for the payment of $15 in each estate for the referees' expense fund. It also abolishes the so-called pauper petitions. Under the existing statutory provisions a bankrupt is permitted to file a petition without the payment of any filing fees where he accompanies it with an affidavit indicating his inability to pay them. In such instances, however, many of the referees have later collected the filing fees in installments from the bankrupts. It is deemed desirable, in lieu of the present widespread practice of demanding payment ultimately, to abolish pauper petitions. It seems more advisable to provide for installment payments in meritorious cases and to leave the exact procedures for incorporation in the general orders of the Supreme Court. This has the additional merit of permitting future modifications as experience develops in a relatively simple and direct fashion.

Paragraph (5) of section 40c leaves to the district judge or judges the task of allocating, from funds on hand for pending cases, the amounts due the referees for services rendered and expenses incurred in such cases prior to the inauguration of the new system. After the inauguration of such system, the judge or judges are also to decide whether any subsequent charges should be made against these pending cases for services to be rendered, keeping in mind the payments already made and the new schedules of charges as fixed by the Director.

There will undoubtedly be a considerable amount of money transmitted to the Treasury from the filing fees and indemnity funds of pending cases which have not been fully administered. To this will be added the filing fees of all the new cases filed, so that it would seem that there will be sufficient funds on hand for the payment of the referees' salaries and expenses under the new system, with very little need for initial financing from the Treasury.

The committee believes that in order to attract competent lawyers as referees the salary system should contain, as an integral part of it, some provision for retirement benefits. Accordingly, section 40d (1) extends to all referees and their employees the benefits granted to officers and employees in the judicial branch of the United States Government under the Civil Service Retirement Act of May 29, 1930, as amended. This places the referees and their employees on the same retirement basis as United States attorneys, clerks of the United States courts, United States marshals and their employees. Gross salaries are therefore subject to an annual 5-percent deduction and the same benefits will be received as are now accorded to other officers and employees in the judicial branch of the Government. Aside from the payments similar to those made by the Government to all other persons receiving benefits under the Civil Service Retirement Act, the retirement provisions of this bill will involve no expense to the Government.

Provision has been made by section 40d (2) to utilize the services of retired referees in the event that the referee is desirous of working and he is called upon by a district judge. The retired referee does not, by this service, return to his salary status; he continues to receive only his retirement allowance. On the other hand, regular collections for the referee's salary fund and expense fund are to be made from each of the estates which he administers.

Section 7 amends section 43 of the act. When a vacancy occurs in the office of a referee, or when its occupant is absent or disqualified to act, the clerk of the district court shall so notify the Director. In any such case, another referee may be designated by the judge, or the council may designate another referee from the same circuit, or the Conference may designate another referee from another circuit, to act. A permanent vacancy shall not be filled by a new appointment unless it is authorized by the Conference. The provisions of this section provide the widest possible latitude for the fullest utilization of the available referee personnel, and are in accord with the recent trend of having Federal judges from areas with little business assigned to others which are behind in their calendars, to assist in the more prompt dispensation of justice.

Section 8 amends section 51 of the act. The changes made are merely conforming ones. They place the duty upon the clerk of collecting the various fees and allowances for the referees' compensation and expenses, and of transmitting the sums collected to the United States Treasury for deposit in the respective salary and expense funds.

Section 8a amends section 52 as above referred to:

Section 9 amends section 53. As revised, section 53 imposes upon the Director the duty to gather all statistics in regard to the operation of the act and to make annual reports thereon to Congress, a function that he is now performing in accordance with the act creating his office. It is advisable not to enumerate in detail the exact nature and type of the statistics to be gathered, although if this is thought desirable such enumeration may be later specified in the general orders of the Supreme Court. Undoubtedly, with the creation of the Bankruptcy Division in the Administrative Office, a good deal more attention will now be given to this feature and many changes will be necessary from time to time as experience indicates the need for them. The inclusion of the fiscal information on the operation of the referee's salary and expense funds will give some indication of the efficacy of the operation of the system.

Section 10 repeals section 54, as amended. The present section 54, which gives to the Attorney General the power to request information from subordinate bankruptcy officials to assist him in compiling the statistical data required by section 53, is repealed. The Director is now compiling these statistics and he already has the requisite authority to request such information pursuant to section 304 (7) of chapter XV of the Judicial Code.

Section 11 amends section 62 of the act. The primary purpose of the amendments is to secure uniform supervision, together with standard auditing and bookkeeping procedure, by bringing all of these expenditures within the jurisdiction of the Director. This is most necessary, for in order to fix the expense charges provided for by section 40c, he must of necessity have some control over the total amount of expenditures. The committee is of the firm belief that this will undoubtedly result in far better working conditions and equipment for most of the referees than is possible under the existing system.

The provisions of paragraph (1) are identical with those now found in present section 62a, except that the words "other than referees" have been inserted. This section provides that the court shall examine and approve the accounts of all officers "other than referees." Obviously the referee should not audit his own accounts.

Paragraph (2) of this subdivision places all office and other expenditures under the supervision of the Director of the Administrative Office, and is merely a logical extension of the jurisdiction that he now exercises over the clerks of the district and circuit courts, probation officers, and other judicial personnel. In fixing the salaries of the referees' clerical and other assistants, the Director is to take into consideration the classifications for similar work in the offices of the clerks of the district courts so that they may be as nearly uniform as possible. Provision is also made for unusual cases that may require prompt action by the referee, such as may occur when a very large business or corporation files a petition. In such instances, expenditures may be authorized by the district judge in the event that it is not feasible to secure the prior authorization of the Director.

The authorization for the employment of clerical assistants by the referee in paragraph (3) follows similar provisions by which the clerks of the Federal courts employ their assistants upon the authorization of the Director. The inclusion of these provisions will permit the referees to utilize to a considerable extent their present skilled personnel, as well as give them a free hand in selecting and in discharging their subordinates.

Paragraph 4 grants the franking privilege to referees and special masters under the act. The phraseology used is almost identical with that employed in section 75s (4), according a similar privilege to conciliation commissioners.

Travel, lodging, and subsistence expenses of referees and their assistants are set out in subdivision b of section 62. Again, such expenditures are to be subject to the authorization and approval of the Director. Paragraph (1) is patterned after a similar provision for Federal judges, although the maximum is to be $7 a day as contrasted with $10 for the latter. No provision is made for a per diem for referees, again following the practice with respect to the district judges.

The assistants of referees are to be treated the same as regular governmental employees in the executive branch of the Government, with the present $6 maximum per diem allowance for expenses. The Director, however, can fix such lower limit for various classifications of assistants as he sees fit.

Section 12 amends section 64a (1) of the act by according to the fees for the referees' salary and expense funds, priority as an administration expense, on a parity with the other items set forth in that clause.

Section 13 amends section 72 of the act by reiterating that salaries shall be full compensation for referees and that allowances to them while acting as conciliation commissioners or special masters under the act, shall be covered into the Treasury. However, part-time referees may retain their earnings as

United States commissioners and as supervising conciliation commissioners as additional compensation.

Section 14 amends section 117 of the act, by emphasizing the advisability of making the special references under chapter X to the referees rather than to outsiders, except in unusual circumstances.

Sections 15, 16, and 17 amend sections 624 (3), 633 (2), and 659 (1) and (3) of chapter XIII of the act (wage-earner plans), by conforming changes. The amended sections deal with the fees for services and expenses of referees in wage-earner proceedings.

Section 18 provides that sections 1 and 10 of the amendatory act, and so much of section 4 as amends section 37b, shall become effective when the bill is enacted. The other provisions shall become effective 60 days after the conference has promulgated its initial determinations.

Section 19 contains the customary safeguards regarding repeal of inconsistent provisions, and the severability of provisions which may be invalidated.

I ask unanimous consent to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. SLAUGHTER. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

Mr. HOBBS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 4160) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto.

The motion was agreed to.

Accordingly, the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 4160, the referees' salary bill, with Mr. PRICE of Florida in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. The gentleman from Alabama [Mr. HOBBS] is recognized for 1 hour, and the gentleman from New York [Mr. HANCOCK] is recognized for 1 hour.

Mr. HOBBS. Mr. Chairman, I yield to the distinguished chairman of our committee, the gentleman from Texas [Mr. SUMNERS], 5 minutes.

Mr. SUMNERS of Texas. Mr. Chairman, the Committee on the Judiciary is fortunate in its selection of a subcommitte on bankruptcy, of which the gentleman from Alabama [Mr. HOBBS] is chairman. This committee has given a great deal of time, attention, and valuable constructive service toward modernizing the bankruptcy laws of this country. It is my understanding that the report on this bill from this subcommittee was unanimous and the report of the Committee on the Judiciary was unanimous. The bill will be fully explained by the members of the subcommittee on bankruptcy.

Mr. Chairman, I yield back the balance of my time.

Mr. HOBBS. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, there is but little necessity for talk on this bill other than by its distinguished author, the gentleman from Illinois [Mr. REED], and by his colleague, the distinguished gentleman from Michigan [Mr. MICHENER], for such contribution as he may care to make, and by our other two able members of the subcommittee on bankruptcy, the gentleman from Tennessee [Mr. KEFAUVER] and the gentleman from Illinois [Mr. GORSKI]. That is said not by way of seeking to shut off anyone else who may care to talk about this bill, for the more talk about this bill the better the House will understand and like it.

Mr. Chairman, this bill was reported unanimously by the subcommittee on bankruptcy and by the full Committee on the Judiciary, and is wholeheartedly supported by 40 organizations the Nation over who have something to do with bankruptcy. A brief collation of a few of them is set out in the report.

This bill has the approval of the Attorney General of the United States, the Conference of Senior Circuit Judges of the United States—of which Chief Justice Stone is chairman—the Securities and Exchange Commission, the Civil Service Commission, the National Retail Credit Association, the Commercial Law League of America, the bankruptcy committee of the American Bar Association, the National Association of Credit Men, and many bar associations which have given it special study. We feel that a brief explanation of what it does is sufficient to sell it to every hearer.

It creates both full-time and part-time referees in bankruptcy, and they have been elevated to a judicial position rather than a subordinate position. It strikes the shackles of the administration of the bankruptcy law in the form of the fee system from the referees and their offices and puts them on a salary basis, without cost to the Government based upon the fact that we have wiped out the exorbitant earnings of some referees in the larger districts but putting a ceiling of $10,000 on the largest salary. Instead of some making $100,000 a year in fees, in flush times, no referee may, after this bill becomes law, make more than a salary of $10,000.

We respectfully submit that while many of them think that is a hardship, we do not believe that the creature should make more than his creator in a legal sense. If the United States district judge who appoints the referee is limited to a $10,000 salary, we think that any referee of his creation might be able to get along on that figure. So it is with confidence, and with no opposition that we bring to the floor today this bill upon which we have worked for 3 years with expert advice from the leaders of bankruptcy thought in the Nation.

Mr. Chairman, I yield to the distinguished ranking Republican member of our committee, the gentleman from New York [Mr. HANCOCK], who will take charge for the purpose of introducing the author.

Mr. HANCOCK. Mr. Chairman, so far as I know there is no opposition to this bill and there should not be any. For many years, at least 10, efforts have been made to reform the referee system in bankruptcy, to improve the procedure, and eliminate abuses.

A number of bills have been introduced on this subject, but in every case until H. R. 4160 came before us there were objectionable features which incurred strong opposition. Apparently the Subcommittee on Bankruptcy of the Judiciary Committee has written a bill which suits all the groups concerned with bankruptcy matters. As the gentleman from Alabama has pointed out, it has the support of the Department of Justice, the circuit and district court judges, the bar associations, the credit associations, and the referees themselves.

Let me say here that we are indebted to the gentleman from Alabama for the splendid work he has done on this legislation and I should include also the members of his subcommittee, the gentleman from Tennessee [Mr. KEFAUVER], the gentleman from Illinois [Mr. GORSKI], the gentleman from Michigan [Mr. MICHENER], and the gentleman from Illinois [Mr. REED]. We are also indebted to previous chairmen of that subcommittee. I refer particularly to Mr. McLaughlin, of Nebraska, and Mr. Chandler of Tennessee, former able and distinguished colleagues of ours.

Briefly, the principal features of the bill provide for putting the referees in bankruptcy on a full time basis and paying them fixed salaries, thereby eliminating the objectionable fee system. It makes these referees eligible for retirement under the United States Civil Service Retirement Act. It virtually gives them life tenure. Although appointment is for 6 years, reappointment cannot be denied them except for misconduct, incompetency or neglect of duty. It also provides a modern, businesslike method of meeting the expenses of the referees' courts in bankruptcy.

The only objection which can be raised is that the bill will practically freeze in office for life a considerable number of referees who were appointed more for their political connections and influence than for their judicial capacity. That, however, is not a valid argument against a bill otherwise meritorious.

For the sake of the record the bill ought to be explained in detail. For that purpose I yield to the distinguished gentleman from Illinois [Mr. REED], the author of the bill, 15 minutes.

Mr. REED of Illinois. Mr. Chairman, bankruptcy has been termed a "gloomy and depressing subject" and has often been characterized as a necessary evil in any modern system of jurisprudence. Goethe once said:

> Let us live in as small a circle as we will, we are either debtors or creditors before we have had time to look around.

Whenever the relationship of debtor and creditor exists, some may always be found who either cannot or will not meet their obligations. Such persons are either unfortunate or dishonest. The laws of ancient days deemed insolvent debtors as criminals and the Romans permitted creditors to inflict upon them both physical torture and death. Probably the first bankruptcy statute known to man, was enacted during the time that

Julius Caesar guided the destinies of ancient Rome. It was a one-sided statute and permitted debtors to escape punishment by surrendering to their creditors all of the property of which they were possessed. It did not discharge the debts but merely avoided the penalties.

In England debt was also considered a crime and subjected the offender to imprisonment. It was to escape such severity of English laws that shiploads of its citizens were willing to go forth from the mother country and start life anew amid the hazards and dangers of the pioneer settlements along the eastern seaboard of North America. The first bankruptcy statute enacted in England came into being in 1542 during the reign of Henry VIII. Like the Roman law enacted about 1,600 years previous, it too, was a one-sided piece of legislation. Unlike the law of Caesar which permitted only the debtor to invoke its protection, the British statute was enacted for the benefit of crediors and merely provided for an equal distribution of the debtor's property without releasing him from his debts. It was not until 1705 during the reign of Queen Anne that England placed on its statute books a bankruptcy law that served the twofold purpose of discharging a debtor from his obligations upon the surrender by him of his property for the benefit of his creditors.

Very little is found in the debates of the Constitutional Convention of 1787 relative to this subject. The clause subsequently embodied in article III, section 8, of the United States Constitution granting to Congress the power "to establish uniform laws on the subject of bankruptcies" was proposed by Mr. Charles Pinckney, of South Carolina, and referred to a committee of which Mr. John Rutledge, also of South Carolina, later Chief Justice of the United States, was chairman. Upon a favorable report it was agreed to with scant debate. Mr. Roger Sherman, of Connecticut, observed that "bankruptcies were in some cases punishable with death by the laws of England" and stated "that he did not choose to grant a power by which that might be done here." Mr. Gouverneur Morris, of Pennsylvania, said that "this was an extensive and delicate subject" but that "he would agree to it because he saw no danger of abuse of the power by the Legislature of the United States." Connecticut, Mr. Sherman's State, cast the only negative vote on the adoption of this clause. James Madison in the Federalist—No. 41—said:

> The power of establishing uniform laws of bankruptcy is so intimately connected with the regulation of commerce, and will prevent so many frauds where the parties or their property may lie, or be removed into different States, that the expediency of it seems not likely to be drawn into question.

He doubtless had in mind the fact that at that time only two States, Pennsylvania and Rhode Island, had bankruptcy laws in force and without a Federal enactment, it would be a simple matter to defraud one's creditors by removing assets into States where local laws were nonexistant.

Irrespective of the adoption of the Constitution and power granted therein "to establish uniform laws on the subject of bankruptcies," no such power was exercised by Congress until 1800, 11 years after the organization of the Government and then only after three successive panics or business depressions which involved millions of dollars and caused such prominent men as Robert Morris to be imprisoned for debt for 3 years and Justice James Wilson of the United States Supreme Court to remove to North Carolina in order to escape imprisonment for debt in his own State of Pennsylvania.

The act passed by Congress in 1800 was repealed in 1803. It provided only for involuntary bankruptcies and was limited to traders. In 1841 a new law providing for voluntary, as well as involuntary proceedings and applying to traders, bankers, factors, brokers, underwriters, and marine insurers was enacted but this, too, was repealed 2 years later. In 1867 Congress passed its third bankruptcy statute which remained on the statute books until 1878 when it, too, was repealed. Nothing was then accomplished until 1898 when a comprehensive bankruptcy statute was enacted, which, though several times amended, remained continuously in force until superseded by the Chandler Act of 1938. Sponsored by our distinguished former colleague, Hon. Walter Chandler, of Tennessee, this law has been acclaimed by lawyers, jurists, and businessmen generally as one of the most worth-while accomplishments of the American Congress in the past decade. It was the result of many years of intensive study by the Committee on the Judiciary of this House, ably assisted by the counsel and advice of representative groups of businessmen, labor organizations, and leaders of the bench and bar.

The year following the enactment of this legislation, Attorney General Frank Murphy appointed a committee of which Solicitor General Robert H. Jackson was chairman, to make a thorough study of the administration of the Bankruptcy Act. Upon the elevation of Mr. Murphy to the Supreme Court and the appointment of Mr. Jackson as Attorney General, Dean Francis M. Shea, of the University of Buffalo Law School, was made chairman. The committee made a thorough and intensive investigation and on December 16, 1940, made a comprehensive report of its findings and recommendations. Briefly it urged a strict supervision of the fiscal responsibilities of referees and advised that the appointment, tenure of office, and compensation of these officials be modified. A bill to attain these results was introduced in the Seventy-seventh Congress by another of our distinguished former colleagues, Hon. Charles F. McLaughlin, of Nebraska. After hearings by the Special Subcommittee on Bankruptcy and Reorganization, it was amended, reintroduced, passed upon favorably by the Committee on the Judiciary and reported to the House. Identical bills were introduced in the Seventy-eighth and Seventy-ninth Congresses by the gentleman from Alabama [Mr. HOBBS].

In the meantime the Conference of Senior Circuit Judges gave this matter considerable study and offered many suggestions which seemed pertinent and practical. A new bill was introduced and after hearings and amendments was reintroduced and favorably reported to the House. It is that bill which we now have before us for consideration. It carries not only the approval of your Committee on the Judiciary but also that of the Attorney General; the Conference of Senior Circuit Judges; the Securities and Exchange Commission; the Civil Service Commission; the National Retail Credit Association; the Commercial Law League of America; the bankruptcy committee of the section on corporations, banking and mercantile law of the American Bar Association; the National Association of Credit Men; the Bar Association of the City of New York; the Minneapolis Association of Credit Men; the Colorado Bar Association; the Denver Bar Association; the Chicago Bar Association; the Bar Association of St. Louis, and many others.

The Chandler Act like the one which preceded it, authorizes the appointment of referees in bankruptcy by the several district courts. These officials hold office for terms of 2 years, are eligible for reappointment and are likewise subject to removal upon the discretion of the discretion of the district judge. Their compensation consists of fees derived from the bankrupt estates referred to them for adjudication. Their functions are complex, being both judicial and administrative. They act as an arm of the court, passing on the claims of creditors, schedules of properties of bankrupts, wage-earner plans, priorities, dividends, and a vast number of other duties. They grant, deny, and revoke discharges, swear witnesses, consider testimony, approve bonds and, in fact, act as assistant judges in matters relating to bankruptcies. It is essential, therefore, that persons selected as referees should be of the highest character and have the legal training and judicial capacity to render intelligent and impartial service to the creditors, the bankrupt and the court. Uncertainty of tenure is a deterrent to attaining this objective. The bill now before us retains the right of appointment in the district judges but increases the term of office from 2 to 6 years. It likewise provides that any referee thus appointed shall, upon the expiration of his term, be reappointed unless found to be incompetent, neglectful of his duty or guilty of misconduct. It offers no protection to bad referees but insures good ones against summary dismissal for personal or political reasons.

Mr. SPRINGER. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. SPRINGER. The distinguished gentleman from Illinois just made mention of the fact that the referees who were appointed would be prohibited from practicing law. Under this measure, would the referee so appointed be prohibited from practicing generally or would the prohibition be limited only to bankruptcy cases?

Mr. REED of Illinois. The full time referees would be prohibited from practicing law entirely.

Mr. SPRINGER. They would not be permitted to engage in the practice of law under any circumstances?

Mr. REED of Illinois. That is correct.

Mr. HOWELL. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. HOWELL. Throughout the United States, the majority of referees in bankruptcy are part-time referees. What provision does the bill make with reference to the practice of law by part-time referees?

Mr. REED of Illinois. That does not affect the part-time referees. Only the full-time referees are prohibited from practicing law.

Mr. HOWELL. Of course, they would not be permitted to practice in cases in which they are interested?

Mr. REED of Illinois. None of them are permitted, of course, to engage in the bankruptcy practice.

Mr. HOWELL. It does not prohibit them from practicing law generally in the district court in which they may receive appointment so long as they are not in matters pertaining to bankruptcy?

Mr. REED of Illinois. That is correct.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. ROBSION of Kentucky. Has the gentleman explained the situation where some referees under the fee system make as much as $100,000 a year?

Mr. REED of Illinois. I will explain that in just a few moments.

Mr. ROBSION of Kentucky. I wish the gentleman would also point out that this would greatly lessen the number of referees and would be a saving of the tapayers' money.

Mr. REED of Illinois. I thank the gentleman.

Mr. HANCOCK. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. HANCOCK. With reference to part-time referees, has the gentleman informed the committee that part-time referees will be eligible to act as United States Commissioners in addition to their duties as part-time referees?

Mr. REED of Illincis. That is correct. The bill specifically provides for that.

This bill contemplates a drastic reduction in the number of referees and the creation and maintenance of a system whereby such officials shall devote their entire time to the duties of their offices, shall not be permitted to practice law or engage in other business and shall be paid salaries rather than depend upon commissions for their compensation. The Director of the Administrative Office of the United States Courts is required, within 1 year, and from time to time thereafter, to make a careful study of the general bankruptcy litigation in the country as a whole and in each judicial district thereof. From such survey he shall recommend to the district judges, the council of circuit judges for each circuit and the conference of senior circuit judges, the number of referees required, the territory they shall serve, the salary they should receive and the schedule of charges to be made in asset, arrangement, and wage-earner cases. He shall likewise recommend the appointment of part-time referees in territory where the business in bankruptcy courts is not sufficient to justify the appointment of a full-time official. Full-time referees shall be paid salaries of not less than $3,000 per annum nor more than $10,000. Part-time referees shall be paid not more than $2,500. The final determination of these recommendations is made by the conference of senior circuit judges who will have the benefit of advice from the councils of circuit judges, who in turn will have had the views and recommendations of the various district judges of their respective circuits.

The fees from which the referees' compensation is now derived will remain unchanged but instead of being retained by the referees, they shall be deposited in the United States Treasury where a revolving fund is created out of which their salaries will be paid in monthly installments.

Likewise the moneys now collected from bankrupt estates for referees' expenses shall be collected as heretofore but shall also be turned over to the Treasury into another revolving fund out of which referees shall receive their expenses. Inasmuch as referees' compensation and expenses are now borne wholly from the assets of bankrupt estates, it is not unreasonable to presume that the proposed system will be self-sustaining. Such is the opinion of the Director of the Administrative Office of the United States Courts.

Lastly, this bill contains a retirement clause and accords to referees and their employees the benefits granted to officers and employees in the judicial branch of the Government under the Civil Service Retirement Act of 1930. It places them in the same category as United States attorneys, clerks of the courts, United States marshals, and their employees.

These are the principal features of the legislation now before us. It is the sincere opinion of the various groups and organizations that have studied this problem over a period of many years that the Chandler Act as amended by the provisions of this bill will be greatly strengthened and the administration of bankruptcy in the United States courts will attain a high level of efficiency. If such can be accomplished the debtor and creditor will alike be benefited. The inequities of the present system are all too patent. It is absurd to ascertain that in many cases referees receive remuneration far greater than that of the judges who appointed them and in other instances their fees do not compare with the wages of a salesgirl at a ribbon counter. Certainly the reduction of the number of referees and the certainty of definite salaries, determinate tenure of office, and retirement benefits will attract competent lawyers to a career service in the bankruptcy courts.

The CHAIRMAN. The time of the gentleman from Illinois [Mr. REED] has expired.

Mr. HANCOCK. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. SPRINGER. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. SPRINGER. Regarding the retirement provision, does that apply only to the full-time referees, or does it also apply to the part-time referees?

Mr. REED of Illinois. It applies to both.

Mr. SPRINGER. Both would come under the retirement provisions of this bill?

Mr. REED of Illinois. That is right.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. ROBSION of Kentucky. In my remarks I referred to the saving to the taxpayers. I meant to the litigants, not to the taxpayers, because this is paid out of fees that are paid in.

Mr. REED of Illinois. There is no question but that after the system is established there will be a substantial saving both to the creditors and to the bankrupt estates. The bill will cause the administration of the law to be more efficient and the efficiencies contemplated all tend toward economy.

Mr. REES of Kansas. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. REES of Kansas. Is it contemplated that practically the same fees will be charged as are now being charged?

Mr. REED of Illinois. The filing fees will be the same as heretofore. An additional fixed charge based on the size of the estate will replace the present varied and complicated schedule of fees. Instead of going directly into the pocket of the referee for his compensation, these fees and charges will go into a revolving fund in the Treasury and then be equitably distributed to the various referees throughout the country.

Mr. REES of Kansas. Do you set up the amount of salaries to be paid?

Mr. REED of Illinois. The salaries of full-time referees are fixed at a minimum of $3,000 and a maximum of $10,000 per year, to be determined by the Council of Senior Circuit Judges. The salaries of part-time referees will not exceed $2,500.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. MICHENER. Under the terms of this bill it will be impossible for a very few referees throughout the country in the larger cities to receive $25,000 to $50,000 salaries, when the judge presiding over the court in which the referee functions receives only $10,000?

Mr. REED of Illinois. That is correct. They will be limited to $10,000.

Mr. BENDER. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. BENDER. Does the gentleman have any facts or figures to substantiate the statement just made by the gentleman from Michigan [Mr. MICHENER]?

Mr. REED of Illinois. I think if the gentleman examines the report of the special committee appointed by Attorney General Murphy, he will find on the last page thereof a table in which all referees throughout the country are classified and the amount of compensation they received in the year previous is set forth. My recollection is that about 35 of them received salaries greater than the sal-

aries of the judges, and 8 or 9 of them received salaries in excess of $17,000.

Mr. BENDER. Has not the present system worked out pretty well?

Mr. REED of Illinois. Oh, yes; the present system has worked out well in a great many respects, except that it is inequitable. Many referees are getting compensation greater than the judges who appointed them, whereas other referees in sparsely settled parts of the country, who have done as much work in their offices, are poorly paid.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. WALTER. I think the hearings disclosed that in some sections of the country referees made as much as $25,000 in a single year.

Mr. REED of Illinois. That is correct.

Mr. WALTER. Does not the committee feel that if we take those exorbitant, outrageous earnings, and average them with all of the others, in the long run it would not cost as much to administer the bankruptcy law as it does now?

Mr. REED of Illinois. That is correct, and it is borne out by surveys already made wherein the average present yearly earnings has been balanced against estimated salaries to a reduced number of referees.

Mr. ROBSION of Kentucky. Mr Chairman, will the gentleman yield at that point?

Mr. REED of Illinois. I yield.

Mr. ROBSION of Kentucky. They not only receive those large salaries and fees, but they also carry on their law business.

Mr. REED of Illinois. That is correct.

Mr. ROBSION of Kentucky. Now, when they receive as much as $10,000, they cannot carry on the practice of law.

Mr. REED of Illinois. This bill so provides.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. MICHENER. Does the gentleman know of any group, creditors, collectors, or anybody else, opposing this legislation except a few referees living in the large cities where they receive these large fees?

Mr. REED of Illinois. I know of none. I believe the committee has heard of none.

Mr. BENDER. Is it not a fact the present system creates an incentive for the referee to make for a greater distribution to the creditors concerned?

Mr. REED of Illinois. That I would say is one of the evils of the system. A referee should be a fair, impartial, judicial officer.

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. HANCOCK. Mr. Chairman, I yield five additional minutes to the gentleman from Illinois.

Mr. REED of Illinois. He should render equal justice to the creditors and to the bankrupt. Under the present system he acts as an agent for the creditors because his compensation is increased on each dollar that is disbursed to creditors.

Mr. THOM. Mr. Chairman, will the gentleman yield?

Mr. REED of Illinois. I yield.

Mr. THOM. Under the present system does a United States district judge contribute a portion of his salary to the retirement fund?

Mr. HANCOCK. Will the gentleman yield?

Mr. REED of Illinois. I yield to the gentleman from New York.

Mr. HANCOCK. The district judges do not contribute to their retirement pay, but under this bill the referees will contribute exactly the same as any civil-service employee contributes to the retirement fund.

Mr. THOM. Which is 5 percent.

Mr. HANCOCK. Five percent; that is right.

Mr. REED of Illinois. More important to me in the enactment of this bill is the fact that it means the abolition of the vicious fee system.

A law which provides that compensation of a judicial or semijudicial officer may be increased or diminished, dependent upon his decision in matters before him for adjudication, creates distrust and suspicion in the minds of litigants, no matter how honest or impartial he may be. Such a law in a free country is outmoded before its enactment.

In concluding these brief remarks I wish to pay a well-deserved tribute to our learned colleague the gentleman from Alabama, Judge HOBBS. As chairman of the Subcommittee on Bankruptcy and Reorganization of the Committee on the Judiciary for the past 3 years, he has labored assiduously and incessantly to perfect a measure that would remedy a serious defect in our judicial system. The universal approval of this bill by the bench, the bar, and business organizations is a high tribute to his perseverance and skill. Although many have to a greater or less degree contributed to the task of constructing this legislation, if, by your will, it is ultimately enacted into law, his will in no small measure be the triumph.

Mr. HANCOCK. Mr. Chairman, I yield such time as he may desire to the gentleman from Vermont [Mr. PLUMLEY].

Mr. PLUMLEY. Mr. Chairman, I ask unanimous consent to speak out of order and to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Vermont?

There was no objection.

Mr. PLUMLEY. Mr. Chairman, I wish now to release the time heretofore accorded me for a special order later this afternoon.

NO WAGE CONTROL, NO COST CONTROL, NO PRICE CONTROL—THE OPA SHOULD QUIT

Mr. Chairman, when the act authorizing the creation of OPA was before the House some years ago, I said in substance and in opposition, that the bill—this plan—will not work.

If there is to be no control of wages, there will be no control of costs, and it follows there can be no control of prices. Obviously, at this time, the control of wages is out of the window, as evidenced by the strikes and the attitude of the National War Labor Board.

There has been no real price control, as evidenced by the establishment of an inflationary spiral which may reach the sky.

We should not "kid" ourselves, nor allow ourselves to be knocked off our economic balance by the protestation of those who cannot see the forest because of the trees they have planted.

I still believe that if there can be no control of wages, and obviously as indicated by the strikes there is none; there will and can be no control of costs, so it is time for the OPA to fold up, for there can be no control of prices under such a set-up.

Mr. Chairman, I am unofficially advised through the newspapers that the President and his advisers are trying to find some way to keep inflation within a 15- to 25-percent limit. Why need there be any inflation except for mismanagement and lack of Executive action? The Congress provided the necessary stops and brakes and gave the President the power long ago to put an end to strikes.

That may be water over the dam; so why talk about it in this crisis—and it is a crisis.

Mr. Chairman, as you very well know it is an elementary premise of economic logic that wages determine cost and that without wage control there can be no price control. Since this is so it is time for the OPA to pass out of the picture for there is obviously no such thing as wage control under the existing situation.

The people should not be fooled longer by all the gratuitous insults to their intelligence. To make and to get votes to support the New Deal program the people have been offered up on the altar of futile gestures none of which point to reasonable or rational recovery or reconversion.

The time has come to talk business and to strip the program of all political partisan gestures if we are to survive the period through which we shall have to pass, embarrassed and encumbered by more politics for a purpose, namely, the entrenchment of the New Deal, than ever confronted any other generation. It is high time the people realized that their safety and security rest upon their own effort to divorce themselves from the idea that this is a good Government to live in so long as they can live off it.

I am not fooling myself. I think however, it is time the public should understand, and all they need are the facts: Here is one, namely, that of all the outrageous bureaucratic organizations illegitimately fathered and created by the New Deal unnecessarily, the OPA, as constituted, is it.

It was begotten by the "blue eagle" in an attempt to carry out a program which failed, and for which it had no authority in law.

Thus, OPA has transgressed its statutory powers repeatedly. It has misinterpreted the language of the act creating it. It has arrogated to itself powers nowhere granted to it. It has created unnecessary hardships for the citizens

of this Republic. It has hurt rather than helped the war effort in the ultimate. The facts are proof of my statements. The situation which confronts us is the answer. Had it not been for the good sense of those people who have volunteered, without pay, to see to it that prices were kept down and that proper support was given to the armed forces, the OPA as such would have been the most colossal failure of all the ages, experimentally, which is to say that, despite bureaucratic control and regimentation attempted, all the credit to which the OPA claims it is entitled to, should go to those hard-warking, self-sacrificing, overworked people, nonpaid, who did not get a cent for what they undertook to do. I take my hat off to them, not to the big boys.

The OPA has invaded and abrogated to itself fields of rights belonging solely to citizens, ruthlessly and boldly in its unlawful exercise of the right of search and seizure and prosecution, without redress to any court, so far as the victim might be involved. No man alive has ever seen, and I hope no man will ever live to see, a repetition of so great a violation of the rights of all American citizens again such as has been arbitrarily, regimentally, and cruelly exercised by the OPA in its alleged administration by sufferance.

Now, Mr. Chairman, the OPA, as administered in Vermont under the able management of Mr. James Carney, has presented a picture devoid of many of the features to which I have referred. I do not wonder that the people of Vermont, or some of them, are for a continuation of rationing a little longer, as it has been administered under Mr. Carney, where the rights of the people have not been violated as in some places, yet the arbitrary acts of those in high places in OPA have seriously interfered with the efforts of many Vermonters to do business and to save their business.

There can be no question that the OPA is a chicken of the blue eagle, hatched by the New Deal, which necessarily must feed on rationing, hoping to grow as it feeds on the policies of the New Deal.

Mr. Chairman, it is not for me to say it, but I am going to do it, namely, the people are fooled as they have contributed their effort voluntarily to help save the country while the big boys in the bureaucracy have drawn down the money at their expense. The taxpayer pays the bills.

Now that the war is over, or about to be over, it is time to get rid of this paid outfit, and to clean them out of Washington, and to let the people back home run their own business without Government interference or dictation.

Just how self-respecting Americans could be made to believe they must take orders from a bunch of OPA neophytes is beyond me. This either is the people's government, or it is not. It is time right now to try to find out who is running this Government, anyway.

During the war, and to win the war, we in Congress had to submit to a lot of things, and vote for a lot of things—many of them worth while, others entirely not so, to carry out the program in order to win the war.

The day has come now when we may call a spade a spade—not an agricultural implement—without involving national security. So I say, Mr. Chairman, a good place to begin is with the OPA, which has been grossly ineffective; has not served the purpose for which created, because it could not do so, despite its high-paid propaganda agents, and all its publicity to the contrary. It has wrecked the economic stability of the Nation.

The OPA was born of a dilemma. It was always a mistake, used to compel citizens to cooperate, and only by reason of necessity succeeded at all in accomplishment of the ends it sought to attain.

The public should not be longer fooled, for that, as I said in the beginning when I voted against the OPA, it never could be a success. It never has been, despite its arbitrary bureaucratic methods, for you cannot milk a kicking cow while sitting on a three-legged stool, minus two legs.

The truth is, had it not been for the ccoperation of the public—that is the citizens, gratuitously made—the highly overpaid officials never could have done a thing. That needs no proof.

So, now it is time, and long past, for us to be rid of the incubus of the OPA. It is an octupus. The necessity for the continuance of the OPA is answered by the facts, not by theory. It is not needed.

Due to the loyalty and cooperation of the body politic, not under pay, the OPA has done many things to help the war effort, for which the people, not OPA, are to be congratulated. Had it not been for the volunteers, the OPA would have looked like a plugged nickel. What it has done could have been accomplished otherwise. So, again I say it is time for the OPA representative of bureaucracy raised to the *n*th power to fold up and quit and let the people carry on. All it accomplished might better have been done some other way. Those who have drawn down big salaries and have told the nonpaid volunteers where to get off will not like my statements, though they know they are true.

When the story of this war is written by some cold-blooded historian, if he refers to OPA at all, which I doubt, what he writes will be well worth reading. If he tells the truth, he will say that of all the war agencies which were born of a bluff, the OPA has lived off one ever since. It needed three legs in the first place and has tried unsuccessfully to wig-wag on one.

I must admit its publicity staff and its blue-eagle chicks made the people think it did something which it has not done and, in fact, never could do.

Well, Mr. Chairman, all the arguments to the contrary are answered and found in the strikes for higher wages today. These are uncalled for, but they are realistic justifications for all that I have said.

If we are again ever found in a similar situation, such as confronted us when the act to create the OPA was before Congress, I hope somebody may profit by the experience we have enjoyed.

Now with these few words of introduction, I want to know: Why those in command of organized labor's efforts are bound to kill the goose which lays labor's golden eggs? It is beyond the comprehension of all thinking people. Yet that is exactly what is happening.

The hard-working laborer should pray to be delivered from his pseudo leaders. The unreasonable demands now being made by the fomented strikes can result only in inflation. The sooner prices rise the quicker markets will fail. It is inescapably true that wages and prices are Siamese twins; wages measure the cost of everything.

The strong-armed methods now employed openly and covertly will not work.

How do you suppose a manufacturer can be compelled to continue to operate at a loss?

How do you figure employees can be compelled to work at a wage not affording a decent living?

The ultimatum is found in the fact—no theory—that we must either control wages or abandon control of prices. A man who runs may read that and understand it.

Since it is obvious that organized labor, through its champions, will not yield to persuasion, the only way is to teach it something. As Edson B. Smith said recently, and truly:

> It is a tragedy to let men who are not mentally equipped to exercise power intelligently have too much power.

In all the earlier discussions of the possibilities of inflation no one ever thought that it would be organized labor which would insist upon a program which would force inflation. The common laborer is no party to this program, for the average worker is bound to be a sufferer, probably the principal sufferer, from an inflationary spiral.

It is not as though there were anything new about all this. Inflations have occurred in nearly every country in the world and their history is written back centuries before Christ. There were bad inflations in Europe in the 1920's. Indeed, most of the countries of Europe are in the grip of inflations today. So is China.

It is a terrible thing that a few ignorant men in a minority can do so much damage to the majority.

And this same Mr. Smith, whose ability as an economist is recognized worldwide, whose attitude toward labor has always been forward looking and sympathetic with its problems, whose comments have always had the careful consideration of all the real friends of labor, goes on to say:

LABOR POLICY LONG LIST OF MISTAKES

He avers that the Government agency we had the greatest respect for during the war was the OPA. It made millions of mistakes. It irritated practically every American citizen. Its public relations were terrible. But it did accomplish what it was created for, the prevention of an inflation at a time when the productive facilities of the country were mobilized for war.

The OPA, says he, from the very nature of its job, had to be hated. Currently the agency comes in for much condemnation because it is still trying to keep prices down. And it should be emphasized that the fact that the OPA has outlived its usefulness is not the fault of the agency itself. If the rest

of official Washington had done its job as effectively as did the OPA, we would not be having all the trouble we are now having.

It all goes back to the early days of the war when President Roosevelt told Congress that if it legislated price control he would take care of wage stability without legislation. The War Labor Board came into being and soon evolved the Little Steel formula which, while not altogether satisfactory and fair, at least worked more or less well while the shooting was going on.

Since the war ended Government officials have made one mistake after another in labor policy. Labor unions have been encouraged to believe that they could receive higher wages without prices rising, even though a little thought shows how ridiculous this is.

So, Mr. Chairman, may I say that the time for oratory has evanesced. The day for hard-boiled practical statements has arrived. The safety and security of this Republic is not a partisan issue. The time has come to try to save our form of government. It will not be saved unless citizens who are responsible for their representatives unify and awaken to a realization of the crisis confronting them. The Congress is what they make of it by their votes. The tail should not wag the dog.

No American citizen wishes to be reduced to the days of inflation such as confronted Germany and France after World War I, but we are on that road—make no mistake. Temporary alleged labor triumphs against employers or vice versa should only awaken the American people to a realizing sense that they are the folks back of this Government whose will is the law. They are the majority.

What happens in the next 10 years will happen because of the attitude of the men and women of America, who are for or against our form of government. Their homes, their lives, the future of their children is all wound up in the ball of their reaction to socialism, communism, or Americanism. Let me say that I have high hope that out of this melting pot of the world will come a guaranty of such opportunity for succeeding generations as the world has never seen. To make this sure every American must take his job as a citizen seriously. Now is the time for him and her to realize that inflation will hit the worker the hardest, and that the United States Government must either exercise more or less control over economic factors. To put the matter bluntly it must either control wages or abandon its control of prices.

We do not want to see wage control, even if that were politically possible, which it is not now. Hence there is no alternative except to drop price control.

The trouble with official Washington is that it cannot seem to understand it is facing a condition and not a theory. Organized labor it is alleged has grown too strong to yield to persuasion. It is not practical to use force against it. Hence the only alternative is to let it learn from experience. The tragedy of what this may mean is not to be considered lightly.

It is a tragedy to let men who are not mentally equipped to exercise power intelligently to have too much power. And yet this is just what the New Deal did for labor leaders.

Looking at the situation over my shoulder I wonder that I was not more emphatic at that time, when I opposed the establishment of OPA, for after the years of publicity and almost useless Federal regimentation of the people, its record is not good as against what might have been accomplished otherwise. The people, not the OPA administration, made the program as successful as it was, which is not saying too much. The people, without the OPA, could have done and would have done a much better job. The people should congratulate themselves because of the voluntary sacrificial efforts made by them, not because of the compulsory Hitler-like ideas of the OPA, for what has been accomplished.

And now the war will soon be officially declared to be over, as Mr. Smith says, and I agree.

PRICE CONTROL WILL HAVE TO GO

There is no use, he said, in pretending that the Government can control wages any more. If it had started differently it might be able to but that is water over the dam. If there is to be no control over wages, which means no control over costs, there can be no control over prices. This is elementary. The OPA can continue to exist until June 30 next but it cannot keep prices down if costs go up. If it insists on holding the price line while costs are rising the net result is bound to be that goods will not come on the market. No manufacturer is going to make goods which he can sell only at a loss. No retailer is going to buy goods for resale unless he can make a profit on the transaction.

In combatting inflation, price is of importance but it is not as important as production. The quoted price of an article means nothing if there is none of it for sale.

Viewing the situation realistically we are reluctantly forced to the conclusion that the best solution of the present difficulty would be for the OPA to quit. The agency has been maneuvered into an untenable position.

Mr. HOBBS. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee [Mr. KEFAUVER].

Mr. KEFAUVER. Mr. Chairman, I should like to bring to your attention a situation that has developed to a critical stage in one branch of the jurisdiction of the Federal courts exercised exclusively by that court. It is the field of bankruptcy administration to which I refer, a branch of Federal jurisdiction, often unpopular in the minds of many people, but nevertheless extremely important as an integral part of our judicial system and of our national economy.

The field of bankruptcy in recent years has been greatly expanded to a point where it not only embraces the fairly simple problems of individual adjudication, liquidation, and discharge, but also involves the rehabilitation and reorganization of large and important businesses and corporations as well. This procedure for rehabilitation and reorganization has been provided at every level of our economic structure from the individual wage earner who honestly desires an opportunity to pay his bills under the protection of the court, to the farmer, the businessman, the real estate holding company, the municipality, the railroad, and the gigantic corporation, all of whom in times of financial stress have sought the protection of the bankruptcy court in an effort to weather the storm rather than liquidate.

The referee in bankruptcy is the principal judicial officer charged with the administration of these cases. It has always been a cardinal principle, whether right or wrong as a principle of jurisprudence, that the bankruptcy court should finance itself completely out of the business coming to that court. To that end the act of 1898 provided for the compensation of referees by a system of complicated fees and commissions based upon the amount of assets realized and distributed to creditors. The fee system was continued in the Chandler Act of 1938. In addition, the original act contemplated that the overhead expense in the referees' offices should be charged to and borne by each individual estate administered by the referee. It very soon became apparent that it was absolutely impossible as a practical matter to prorate or allocate to individual cases all the items of overhead expense in every referee's office. The fluctuations in the volume of business, the size of estates administered, and the uncertainty whether cases would or would not be forthcoming made the development of some other plan essential. As a result there came into being a revolving expense account in each referee's office known as the referee's indemnity fund. It was recognize dand approved officially for the first time by the Chandler Act and the General Orders in Bankrutcy adopted by the Supreme Court immediately thereafter.

The indemnity fund is created by charges made against individual estates pursuant to local rules. When bankruptcy business was brisk this system worked fairly well and in many offices substantial operating balances were established. With the decline in the volume of business these funds have been exhausted in 136 of the 346 referees' offices as of January 1, 1945. There are no funds available to operate these offices except as the referees themselves have contributed their own personal funds for that purpose. The amounts of such contributions have reached staggering sums in several instances, actually running into hundreds of dollars in some cases, and in one instance to more than $11,000. Also, in one district alone, three referees have been retired from office with deficits due them ranging from a few hundred dollars to more than $6,000. There does not seem to be any way, under the Bankruptcy Act, for these sums to be repaid. The number of referees required to make personal advances for the payment of official expenses will increase in the 6 months' period ending June 30, 1945, and the amounts so advanced will rise still further.

These advancements or deficits are made up of cash actually advanced to the indemnity or expense fund; undrawn compensation left in the indemnity account to be used for official expenses; deficits in the indemnity account, that is, an excess of expenses chargeable to bankruptcy over indemnity receipts; and in some instances unpaid expenses like rent, clerk hire, publications, and so forth.

The referees cannot be expected to continue to make such advancements from the present low compensation received under the fee system. In fact, I submit, it is fundamentally unsound for any judicial officer to be required or even permitted to personally finance his own court. The referee's court is the bankruptcy court of original jurisdiction, it is a very important court and it should be put upon a sound business basis. Surely such a system as now exists for compensating the referee and paying his expenses can bring no credit to the Federal courts of this country.

I shall not discuss at any length the fallacies and imperfections of a fee system of compensating judicial officers. Suffice it to say that such system has in almost every judicial office throughout the land been discarded and abandoned. The compensation of the court should not, even in the slightest degree, depend upon its decision in any particular case. Almost every question a referee is called upon to decide affects in some measure or degree the compensation he will ultimately receive. It may be recalled that the Supreme Court in *Tunney* v. *Ohio* (273 U. S. 510), held that where the compensation of a justice of the peace depends on whether he finds the defendant guilty, there is a denial of due process. I do not mean to infer that referees permit this situation to affect their decisions, but they should not be subjected to that pressure. It has been said that while it is important that justice should be done, it is almost as important that justice appear to be done. It is absolutely essential, of course, that the public have confidence in the integrity of the referees in bankruptcy.

Two bills are now pending in this Congress designed to correct these situations. They are H. R. 33, introduced by the gentleman from Alabama, Congressman HOBBS; and H. R. 3338, introduced by the gentleman from Illinois, Congressman REED. H. R. 3338 was later introduced by the gentleman from Illinois [Mr. REED] with some minor changes as H. R. 4160. The specific proposals contained in these bills had their inception largely in the recommendations made by the Attorney General's Committee on Bankruptcy Administration appointed in 1939. That committee briefly recommended the elimination of the fee system of compensating referees, a reduction in the number of referees, and the establishment on a national basis of a referees' salary fund and a referees' expense fund from which the salaries of referees and their official expenses should be paid. In January 1941 a special session of the judicial conference of senior circuit judges was called to consider the report of the Attorney General's committee. After a full and complete discussion, several recommendations were made by the judicial conference which were embodied in a draft of a bill introduced as H. R. 4394—Seventy-Seventh Congress—by former Congressman McLaughlin, of Omaha, Nebr., the then chairman of the special Bankruptcy Subcommittee.

Extensive hearings were held by the Bankruptcy Subcommittee during 1941, at which time several changes of a minor character were proposed, largely by the American Bar Association. These were incorporated in H. R. 7814, which was reintroduced by Congressman McLaughlin November 27, 1942. The bill was reported favorably by the Committee on the Judiciary. Numerous organizations and groups interested in bankruptcy matters, including the National Bankruptcy Conference, the National Association of Credit Men, and the American Bar Association, approved that bill. It was placed on the Unanimous-Consent Calendar, but when it came before the House for action in December 1942 the required consent was not given. No further action was taken in the Seventy-seventh Congress.

The bill was reintroduced in the Seventy-eighth Congress as H. R. 1107 and in the present Congress as H. R. 33, by the gentleman from Alabama, Congressman HOBBS. Later a bill containing certain amendments to which I shall refer later was introduced as H. R. 4160 by the gentleman from Illinois, Congressman REED. These amendments are acceptable to the gentleman from Alabama, Congressman HOBBS. The measure is nonpartisan in character.

In September 1942, the judicial conference authorized and the Chief Justice of the Supreme Court appointed a committee on bankruptcy administration which has devoted a great deal of time to this subject during the past 2 years. The chairman of that committee is United States circuit judge, Orie L. Phillips, of Denver, Colo., who appeared before the subcommittee at the hearings held on H. R. 33 and H. R. 3338 a few weeks ago. The principal objective has been and still is the establishment of a system of full-time salaried referees, supplemented where necessary, by additional part-time salaried referees.

In the report of the bankruptcy committee of the judicial conference submitted in September 1943, two changes were recommended in the bill then pending. The first related to the pension system provided for in that bill under which referees who could qualify, were given a 50-percent pension. This feature appeared to be objectionable in some quarters. As a substitute it was proposed that the provisions of the Civil Service Retirement Act be made applicable to referees and their employees on the same basis as such act now applies to United States clerks of court, United States marshals, United States attorneys, and their deputies and assistants. The other objection came from the district judges in whom rests the authority to appoint the referees. In an effort to guarantee continuity and security in office, which is, of course, highly desirable in any judicial system, the bill then pending provided, in section 34 (b), that a referee if approved by the Director of the Administrative Office should be reappointed at the end of each 6-year term. The Bankruptcy Committee and the Conference of Senior Circuit Judges recommended that this provision be stricken from the bill.

Realizing the imperative need for a change in the system of financing the referees offices, an informal meeting was held in Washington in January 1945, which was attended by the representatives of numerous credit organizations and groups interested in the salary bill, including representatives of the judicial and executive branches of the Government, in an effort to reconcile the views of all parties concerned. Representatives of the National Bankruptcy Conference, the Securities and Exchange Commission, the American Bankers Association, the United States Chamber of Commerce, the Retail Credit Association, and many others were present. It was their considered judgment that the provisions of the Civil Service Retirement Act should be substituted for the pension provisions of H. R. 33 and that section 34 (b) should be amended to provide that a referee shall be reappointed at the expiration of his term of office unless there existed grounds of incompetency, misconduct or neglect of duty against his reappointment. These proposals and several necessary conforming changes are embodied in the present bill H. R. 3338.

May I at this point outline briefly the important provisions of the bill which fall into two well defined groups, namely, those provisions designed to put into effect a system of salaried referees and second, those provisions designed to cover the expense of their offices. Let me emphasize that the system is to remain as it is now, fully self-supporting and is to be administered as it should be as an integral part of the judicial branch of the Government. Further, it should be pointed out that under the present fee and indemnity system the unit of operation is the individual referee's office. That unit is too small. The present system is satisfactory neither when the volume is large nor when it is small. When cases are numerous, referees' compensation in many instances has been excessive, and when cases are few, many referees are grossly underpaid. The greatest difficulty, however, is encountered in financing the operation of the referees' offices. The individual office is too small a unit on which to base these financial operations. The bill under consideration provides for the creation of a national salary fund and a national expense fund maintained by fees and charges collected in bankruptcy cases from the entire country. In this manner the peaks and valleys will be leveled off. The referees will be given fair, adequate, and reasonable compensation on a dependable basis. their expenses will be paid from a Nation-wide expense fund created and maintained in the same manner.

Briefly, the bill requires a survey to be made by the Director of the Administrative Office of all the factors which would affect the number of referees, their territories and compensation. The Director is to make recommendations to the Conference of Senior Circuit Judges and to

the several circuit councils. The conference in turn is to make the final determination after having considered the report of the Director and the comments of the district judges and the circuit councils. Thus a scientific determination of the needs of this branch of the judicial system is assured.

Since the establishment of the Bankruptcy Division in the Administrative Office in 1942 a vast amount of detailed statistical information and other material has been assembled which will enable the Director to make his survey within a period of from 4 to 6 months without any additions to the staff already provided in the Administrative Office.

The appointment of referees is to remain with the district judges and where there is more than one judge in a district, the appointment shall be made by a majority. If no majority exists, then by the circuit council. The term of office is extended from 2 to 6 years and the referee is given some guaranty of tenure by the provision that he shall be reappointed unless there exists cause against his reappointment by reason of incompetency, misconduct or neglect of duty.

The bill changes the method of collecting the amounts necessary to support the system and the handling of these accounts. Some of the charges are fixed by the bill and in asset cases and in certain other proceedings a schedule of graduated charges is to be fixed by the director. Provision is made for a change annually in the amount of such charges should such action be required in order to operate without a deficit. Any deficit occurring is to be underwritten by the Treasury and reimbursed from funds collected in any suceeding year. The system immensely simplifies the fees to be charged and eliminates a number of troublesome items.

It would scarcely be possible to devise a less satisfactory system of meeting referees' expenses than that now in operation. Under the proposed bill an expense fund would be set up in the Treasury similar in all respects to the salary fund, out of which all overhead expenses in the referees' offices would be paid. It would be derived from cases and assets in the same manner as the salary fund. Indeed, collections for both will be made at the same time and the whole process changed to one of complete simplicity and uniformity throughout the country. I am told that charges made in the various districts throughout the country for the payment of referees' expenses range from a low of $3 per case in a simple no-asset estate to a high of $63 in the same type of proceeding. Surely there can be no justification for this great disparity in expense charges.

Expenditures from the expense fund would be under the supervision of the director and would be in all respects similar to that which he now has with respect to other judicial personnel—judges, clerks, probation officers and the like.

I have been deeply impressed by the complete and unanimous support given this bill by all persons, groups, organizations and departments interested in bankruptcy administration. Many of them have given the situation long and careful study. The bill has the active support of: the Attorney General; the Conference of Senior Circuit Judges; the Securities and Exchange Commission; the Civil Service Commission; the National Bankruptcy Conference; the National Retail Credit Association; the Commercial Law League of America; the bankruptcy comittee of the section on corporations, banking, and mercantile law of the American Bar Association; the National Association of Credit Men; the Bar Association of the City of New York; the Minneapolis Association of Credit Men; the Colorado Bar Association; the Chicago Bar Association; the Bar Association of St. Louis; and many others.

I am convinced that the bill is critically needed if the referee system is to continue to function. The Conference of Senior Circuit Judges emphasizes the immediate necessity for the bill. District judges have uniformly approved the salary system. Credit organizations are strongly in favor of it and sincerely feel that in the long run the reduction in the number of referees, the more efficient use of clerical help in larger and fewer offices, and the more efficient administration of estates will in the long run inure substantially to their financial benefit. Their approval is extremely significant in view of the fact that, in the last analysis under the philosophy that bankruptcy shall be self-sustaining, the creditors pay the bill.

While it is to be hoped that no avalanche of bankruptcy cases will ever again develop in the future, nevertheless, it should be recognized that with the return to a normal peacetime economy there are bound to be financial casualties to be assisted by rehabilitation under the relief chapters of the Bankruptcy Act or liquidated in ordinary bankruptcy proceedings. It is therefore of the utmost importance that the machinery required to handle these judicial functions should be placed upon the highest plain and financed upon a basis worthy of the Federal courts.

In conclusion let me say that this bill merely puts the referee and the financial operation of his office upon a national basis instead of the present individual basis. The system will continue to be self-supporting. It will operate with an increased efficiency in administration. Above all it will create a sincere and wholesome respect for the courts administering this difficult branch of exclusive Federal jurisdiction.

Mr. HOBBS. Mr. Chairman, I ask unanimous consent that the gentleman from Tennessee [Mr. KEFAUVER] be given permission to revise and extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

Mr. HANCOCK. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. HOWELL].

Mr. HOWELL. Mr. Chairman, this is the type of legislation which attracts very little attention so far as the newspapers or the radio commentators are concerned, but after all this is of a most substantial nature and certainly of great interest to every individual citizen of this country. I do not suppose there is anything sadder, more discouraging and more distressing that comes to the average family outside of death than bankruptcy, because when that ordeal faces an individual or a family it certainly is one of the most serious considerations that those people are confronted with during their entire lives. Therefore a system such as we have in this free country, which operates on the principle of private enterprise and individual initiative should have adequate provision for situations which are bound to arise wherein an individual or a company discovers that liabilities exceed assets and that the terrible ordeal of bankruptcy is at hand. It is then that the full protection of law should be given to every American regardless of his race, color, or economic status.

I want to compliment the Committee on the Judiciary for the long and arduous attention which it has given to the provisions contained in the bill now under consideration. I want to join my colleague from Illinois, the Honorable CHAUNCEY REED, in his compliments to the members of the Judiciary Committee and those who worked throughout the long years to perfect the bankruptcy laws of the United States of America. The gentleman from Illinois himself deserves every compliment for his active and persevering efforts in behalf of the measure before us, H. R. 4160.

When the Chandler Act was placed on the statute books of the United States in 1938 it was universally hailed not only in this country but throughout the world as a model bankruptcy law. H. R. 4160 now before us brings our laws so far as bankruptcy is concerned up to date in every respect. I speak not as a member of the Judiciary Committee who heard the testimony of all the witnesses but as a former referee in bankruptcy who was called upon to discharge the duties of this office in a district in central Illinois. I can testify first-hand that most of the abuses and most of the weaknesses in our bankruptcy system are corrected by the provisions of the bill now pending before us.

I know of the abuses that arose in connection with the use of the indemnity fund. This measure explicitly defines the indemnity fund and directs exactly how it shall be apportioned and how it shall be used. I know that in the metropolitan areas where four or five referees in bankruptcy served a great concentration of wealth their fees would greatly exceed the actual value of their services. In metropolitan areas these referees maintained common offices, pooled their fees and expenses, then at the end of the year divided what was left and always found they had come out with a very tidy sum of money, many times in excess of the salary received by the Federal judge who in the first instance had appointed them. I also know of the hundreds of small referees in rural communities where the size of the bankrupt estates were not large and the volume of cases rather high who received very little for their efforts.

I am glad to note that the provisions of this bill seek to correct these inequities along fair standards which have been adopted as a result of long study and investigation made under the supervision of the gentlemen mentioned by my colleague, and previous speakers on this subject.

I again want to compliment the Judiciary Committee and those who have been interested in the passage of this measure. It is needed in our bankruptcy system and certainly it will complete the finest set of bankruptcy laws on the statute books of any country on the face of the earth.

The CHAIRMAN. The time of the gentleman from Illinois has expired.

Mr. REED of Illinois. Mr. Chairman, I yield 5 minutes to the gentleman from Indiana [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, I, too, desire to express my congratulations to this Subcommittee on Bankruptcy of the Committee on the Judiciary. I think that subcommittee has done a splendid job in the preparation of this bill for presentation to the House. This measure, if enacted into law, will cure many of the existing ills in the administration of our laws relating to bankruptcy.

There are one or two matters that I desire to call to the attention of the House, specifically the present situation with respect to the fees which are charged by the referees in the administration of bankrupt estates. Under the pending measure a full-time referee is limited to a compensation of not less than $3,000 per year and not more than $10,000 per year. The exact amount is to be fixed by the conference of judges, and the judge of the particular court under which the referee operates. Part-time referees are to receive not to exceed $2,500 per year, and that compensation, too, is to be fixed by that same conference.

Mr. THOM. Mr. Chairman, will the gentleman yield?

Mr. SPRINGER. I yield to the gentleman from Ohio.

Mr. THOM. On page 10 of the bill reference is made to the salaries paid the referees. I understand, first, that a salary cannot be changed during a term.

Mr. SPRINGER. That is entirely correct, as I understand the pending bill.

Mr. THOM. However, does it mean that a man appointed referee at the time of the enactment of this bill will never have his salary changed during his tenure?

Mr. SPRINGER. As I recall, and if I am incorrect I want the author of the bill to correct me, these referees are appointed for 6-year periods; are they not?

Mr. REED of Illinois. That is correct.

Mr. SPRINGER. That salary, which is fixed, cannot be changed during that period of 6 years.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SPRINGER. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. How about it being reduced?

Mr. SPRINGER. It cannot be reduced during the period of such appointment, which is for a term of 6 years.

Mr. THOM. It seems to me that the paragraph on page 10 provides that during the tenure of the man appointed originally under this act the salary can never be changed during his lifetime.

Mr. SPRINGER. On page 10, the proviso to which the gentleman refers, reads:

> That during the tenure of any full-time referee his salary shall not be reduced below that at which he was originally appointed under this amendatory act, and during any term of any such referee his salary shall not be reduced below the salary fixed for him at the beginning of that term.

Mr. THOM. Does the gentleman interpret that as meaning that the referee who receives his appointment at the time this act becomes effective will not be subject to a salary reduction during his entire lifetime?

Mr. SPRINGER. I might call the gentleman's attention to the next provision in that same section:

> *And provided further*, That no salary fixed under the provisions of this section for a full-time referee shall be changed more often than once in any 2 years, or in an amount of less than $250.

I think, perhaps, that provision is intended to clarify the former provision contained in the measure. Any change may be made of not more than $250 at the beginning of the term, but not during that term. That is my interpretation of that provision.

Mr. THOM. I still think that the first three lines on page 10 of section (b) freeze the salary of the man who is originally appointed as long as he continues in the office of referee.

Mr. SPRINGER. It might do that unless the provision, to which I last referred, would control in reducing it not more than $250 at the beginning of any one of the terms to which such referee is appointed.

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. REED of Illinois. I yield the gentleman three additional minutes.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield?

Mr. SPRINGER. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. It seems to me under the interpretation placed on that language it cannot be reduced. It repeats it there in lines 18 to 23 inclusive. Does not that last proviso mean that it can only be changed once in every 2 years, if it is changed at all? It means that you can increase it but you cannot reduce it.

Mr. SPRINGER. I am inclined to think, as the gentleman states, that it cannot be changed more often than once in any 2 years, or in any amount less than $250. I think that provision clarifies to some extent the provisions to which the gentleman from Ohio has referred and, in my opinion, such salary may be reduced or increased, in such amount, and in the manner provided in this bill.

Following in (c) (1) on page 11, it provides for the payments which are to be made on the filing of bankruptcy petitions; the $17 for each estate for the referees' salary fund, and under (b) $15 for each estate for the referees' expense fund, as herein established. I think perhaps that is practically the same as the fees which are paid at the present time.

On this question of the fees which are now being received by some of the referees, I hold in my hand the statement from the Attorney General's Committee on Bankruptcy Administration of 1940, which sheds some light upon this question, and to which I will refer.

In that statement there are set forth some of the fees which are now received by some of the referees. Those receiving over $10,000 and up to $12,500 were 10 in number. They received those fees under the present policy of administering bankrupt estates. Those receiving over $12,500, there were 11 who exceeded that figure, but no one knows how much more they did receive per annum. Over $12,500 and up to $15,000 per year, there were 8 who received that amount in fees. Between $15,000 and $17,500 there were 7 in that class. More than $17,500 was received by 5 referees. There were 4 referees who received more than $17,500 per year, but the exact amount is unknown. Some of the fees which have been received by those acting as referees have been very large. The purpose and the intent of this particular legislation is to reduce those amounts which are now charged against bankrupt estates, and which come largely from the money available for distribution among creditors. By that reduction, by putting some of the referees on a part-time basis, and by reducing the number of full time referees, the cost to the people involved in bankruptcy will be much less than under the present system. The hearings held upon this measure conclusively show that the cost of administration of bankrupt estates will be much less under the provisions of this bill than under the present system. It is the wish of all to preserve for the benefit of creditors the largest possible portion of these bankrupt estates, and that the fees now allowed and paid to referees in bankruptcy be abolished and they be placed on a salary, in the public interest.

Mr. HANCOCK. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. BENDER].

Mr. BENDER. Mr. Chairman, I ask unanimous consent to speak out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BENDER. Mr. Chairman, I have here a letter that came to my desk this morning, which I should like to read to you:

FPO, SAN FRANCISCO, CALIF.,
October 18, 1945.

Hon. GEORGE BENDER,
House of Representatives,
Washington, D. C.

DEAR SIR: Today an ALNAV was received by the station to which I am attached. The general text of this message dealt with the generous (?) reduction of the critical point score for Navy personnel. The score is to be reduced by three whole points on November 1, two more on December 1, and one more on January 1; very liberal, I would say.

On my particular station there are approximately 20,000 men. Of these only 400 had sufficient points to qualify for discharge when

the score stood at 44 or, roughly, 2 percent. As yet I have no idea just what percentage of the total will be affected by the current reduction but can assure you it will not increase appreciably. If the Navy intends (honestly) to reduce its strength to the 500,500 men they claim to need for the peacetime Navy by next September, something had better be done and done quickly in order to come somewhere near this figure. This is not the best they can do.

It has been a particularly sore spot with us Navy men to hear of the big celebration planned for Navy Day involving the use of ships, etc., which could be used to speed up demobilization instead. Is this the thanks we are to receive for our efforts in bringing the war to a rapid conclusion? Is Navy Day more important than the souls of those men who are left to eat their hearts out on some God-forsaken island for unnecessary weeks and months? Does it matter to you who have been comfortable during this war whether these men spend one more minute than necessary in these stinking pest holes? If an admiral's show and display of power be more essential than derelict men of the Army and Navy and people we fought for are content to have us remain so, then I, for one, want to adopt another country as my own.

How about the men who are in the fruitful thirties who are still held by the Navy long after the Army has decided they have served their purpose and reduced its age limit to 34? Are we any more useful to the Navy than we would have been to the Army? Has anyone made an honest effort toward getting the older men out of the Navy? I don't think they have.

I do not want the usual letter saying, "I am doing everything in my power toward this end." I want answers to the questions asked and facts, not time-worn clichés. However, I suppose some broad-beamed Wac or its equivalent will read my letter and answer. Income and corporation taxes seem to be the current interests among our representatives at the nonce.

This is an earnest plea to you for help, which we cannot expect from our officers, who are having quite a good time of it. When they are reduced in rank, they will also suffer a decrease in salary, the difference of which we poor "suckers"—I hope to be a taxpayer again if and when the Navy gives me my release—will have to pay. We dislike the idea of having to pay this difference any longer than is required.

If an attitude of indifference is taken in this matter, the Army and Navy will soon have the toughest thing on their hands they have ever had to combat—mass desertion by the holiday season. I can assure you I would be among them if there were somewhere to go. The prevailing motto seems to be, "Over the hill at Christmas."

This, in conclusion, is another pet peeve. The station is overstocked on small-stores items, mainly white uniforms, which will be obsolete by June of next year. During inspections we aren't allowed to wear the ones we have, but are requested to buy new in order to reduce these stocks. In view of the fact we are to be discharged soon—so they say—we feel the purchase of new uniforms would be a foolish expenditure. Are we correct in our assumptions?

Hoping something can be done for us, I remain your 36-year-old, 36-point constituent who thinks Congress is lying down on the job.

Very truly yours,

———— ————.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. HANCOCK. Mr. Chairman, I yield two additional minutes to the gentleman from Ohio.

Mr. BENDER. I think the gentleman now in the United States Navy who wrote me as he did has a justifiable gripe. There are too many officers both here and abroad who need to be demobilized, and I am sure if such demobilization takes place we will accomplish the demobilization of our Army and Navy personnel.

For example: Right here in Washington, we all know there are too many officers sitting around doing nothing but drawing their pay. We need to be just a little more outspoken right on the floor of the House regarding this problem of demobilization. Members of Congress should have the courage to say the things in the well of the House that they say to each other privately.

Elder Statesman Bernard Baruch has urged immediate consideration by our Government of the human side of demobilization. Our returning servicemen are not Army serial numbers, to be regarded as so many infantrymen, signal corpsmen, coast guardsmen, or marines. They are individuals to be treated as individuals.

Today there are only some twenty-two separation centers at work. Scores more are needed to hasten the demobilization process if the rate of separation now effective is to be increased. Meanwhile, thousands of boys languish in Army camps awaiting the call to a separation center, doing little of value in the interval. These men should be furloughed home at once, subject to recall to the appropriate separation center when the center is ready for the processing of their discharge.

Such a policy would enable the serviceman to canvass available business opportunities and make necessary contacts for resuming the former threads of his life or undertaking new responsibilities. It would give him the chance to explore educational offerings of interest. But more important, the home furlough pending discharge would reunite the serviceman with his family at the earliest possible moment and bring the human side of his demobilization to the foreground. We have necessarily caused many a serious wrench in the family lives of millions of people. The least our Government can do is to repair that violence at the earliest possible time.

Underlying the entire question of speedy military demobilization are three fundamental attitudes current in Washington. The first and most pressing is, of course, the insistent desire of millions of Americans to bring home the men and boys who have been removed from the normal channels of life to war purposes. Second in importance to most Americans but nevertheless persistent is the recognition that the occupation of aggressor nations must continue for an indefinite period into the future to prevent the recurrence of wars. Third and unexpressed in official circles is the uncomfortable belief that the administration is afraid of hastening the demobilization process because it hopes to have jobs ready for veterans before the vast majority return home. It is one of the suppressed and subconscious attitudes which contribute to the administration's willingness to permit the War Department to "carry the ball" on all debates concerning demobilization policy. For certainly the demobilization of an army is not a military matter. It is a civilian issue entirely. The military understandably wants to keep as many men as it can in uniform. The Nation's well-being, spiritually, morally, and economically, requires that they come home at the earliest possible moment.

The occupation of enemy lands must not become an exclusively American task in the Pacific area. Nor must we permit our gratitude to the military leadership which has won the war to sway our thinking as to the necessity for keeping millions of men in service. Once demilitarized, with the war-making industrial machinery removed, with all planes and ships removed from service, it will not require an army of 2,000,000 Americans to police Germany and Japan. The faster all those men whose presence is not required for occupation get home, the better for America.

Mr. SPRINGER. Mr. Chairman, will the gentleman yield?

Mr. BENDER. I yield.

Mr. SPRINGER. I recently had a call from a major of Infantry, who is in the War Department, and his job for more than 6 weeks has been answering the telephone.

Mr. BENDER. Answering the telephone; getting into each other's hair. When you ask them a question they give you an involved answer. Instead of saying "Yes" or "No," they write volumes because they do not have anything else to do. I say, the sooner we speak up on the floor of the House and call a spade a spade and say the things that we say around the lunch table and say to each other privately in our offices, the sooner these boys will be on their way home.

Mr. Churchill made a real speech on the floor of the British Parliament day before yesterday. He told them a thing or two. He talked pretty straight about demobilization.

Mr. WALTER. Mr. Chairman, will the gentleman yield?

Mr. BENDER. Yes, I yield.

Mr. WALTER. Certainly the gentleman realizes that most of the officers today who have desk jobs are the men who did the magnificent job they did in the field. He does not want to charge those men with inefficiency, does he?

Mr. BENDER. Frankly, I know the men who did the job in the field. We cannot say enough in tribute to them. All of us will be eternally grateful for their valiant effort. America owes them a debt that we will never be able to repay. The war is over, and it is time that we called "quits." The greatest service we can render our men who fought the good fight is to get them out of the service and back to their homes at the earliest possible moment. I am not alone in feeling that this is not being done as expeditiously as it should be. I trust that we will break down the barriers, cut out the red tape, and get the boys home as fast as we got them overseas when their services were needed to hasten the end of the Axis Powers.

The CHAIRMAN. The time of the gentleman from Ohio [Mr. BENDER] has again expired.

Mr. HANCOCK. Mr. Chairman, I have no further requests for time.

Mr. HOBBS. Mr. Chairman, I have no further requests for time.

The CHAIRMAN. The Clerk will read.

Mr. HOBBS. Mr. Chairman, I ask unanimous consent that the reading of the bill be dispensed with and that it be printed at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Alabama?

There was no objection.

The bill is as follows:

Be it enacted, etc., That (a) section 1 of the act entitled "An act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, as amended, is amended by inserting after paragraph (5) the following new paragraph:

"(5a) 'Circuit' shall mean 'judicial circuit' and shall include the District of Columbia, and 'senior circuit judge' shall include the Chief Justice of the United States Court of Appeals for the District of Columbia;".

(b) Such section 1 is further amended by inserting after paragraph (7) the following new paragraph:

"(7a) 'Conference' shall mean the conference of senior circuit judges provided for by section 2 of the act of September 14, 1922 (42 Stat. 838);".

(c) Such section 1 is further amended by inserting after paragraph (8) the following new paragraph:

"(8a) 'Council' shall mean the council of circuit judges for the circuit, as defined in section 306 of the United States Judicial Code;".

(d) Such section 1 is further amended by inserting after paragraph (14) the following new paragraph:

"(14a) 'Director' shall mean the Director of the Administrative Office of the United States courts appointed pursuant to chapter XV of the United States Judicial Code;".

SEC. 2. Section 34 of such act, as amended, is amended to read as follows:

"SEC. 34. Appointment, reappointment, and removal of referees:

"a. Appointment: The judges of the several courts of bankruptcy shall appoint referees. Where there is more than one judge of a court of bankruptcy, or where the territory to be served by a referee includes territory in more than one judicial district, the appointment, whether an original appointment or a reappointment, shall be by the concurrence of a majority of all the judges of such court or of the courts of bankruptcy of such judicial districts, and where there is no such concurrence, then by the council. Except as otherwise provided in section 37 of this act, each appointment and reappointment shall be for a term of 6 years.

"b. Reappointment: A referee shall be reappointed upon the expiration of the term of his office, unless there is cause for not reappointing him by reason of incompetency, misconduct, or neglect of duty: *Provided, however*, That, in the case of a part-time referee, an additional cause for not reappointing him shall be that his services are not needed.

"c. Removal: Removal of a referee during the term for which he is appointed shall be only for incompetency, misconduct, or neglect of duty: *Provided, however*, That, in the case of a part-time referee, an additional cause for removal shall be that his services are not needed. Any cause for removal in respect of any referee coming to the knowledge of the Director shall be reported by him to the judge or judges of the judicial district or districts in which such referee serves, and a copy of such report shall at the same time be transmitted to the council and to the referee. Such judge or judges may, upon receipt of such report, or upon their own motion, remove the referee for any one or more of the above-mentioned causes; where there is more than one judge, such removal shall be by a concurrence of a majority of the judges, and where there is no such concurrence, then by the council. If the Director shall report to such judge or judges any of the above-mentioned causes for removal of a referee and the judge or judges shall fail to remove such referee, the council may remove him from office for any one or more of such causes. Before any order of removal shall be entered, except, in the case of a part-time referee where the cause for removal is that his services are not needed, a full specification of the charges shall be furnished to the referee, and he shall be accorded by the removing judge or judges an opportunity to be heard on the charges and he shall further, on petition, be entitled to review of such order by the council, and opportunity to be heard on such review."

SEC. 3. Section 35 of such act, as amended, is amended to read as follows:

"SEC. 35. Qualifications of referees: Individuals shall not be eligible to appointment as referees unless they are (1) competent to perform the duties of a referee in bankruptcy; (2) not holding any office of profit or emolument under the laws of the United States or of any State or subdivision thereof other than conciliation commissioner or special master under this act: *Provided, however*, That part-time referees may be commissioners of deeds, United States commissioners, justices of the peace, masters in chancery, notaries public, or either conciliation commissioners or supervising conciliation commissioners but not both; (3) at the time when originally appointed not relatives of any of the judges of the courts of bankruptcy or of the justices or judges of the appellate courts of the district wherein they may be appointed; (4) resident and have their offices within the judicial district of the court or one of the courts of bankruptcy under which they are to hold appointment: *Provided, however*, That where a referee shall be temporarily transferred or permanently appointed to another judicial district, residence or office in such other district shall not be requisite for eligibility; and (5) members in good standing at the bar of the district court of the United States in which they are first appointed or, if appointed to serve in territory within more than one judicial district, at the bar of one of such district courts: *Provided, however*, That the requirement of membership at such bar shall not apply to referees holding office on the date when this amendatory act takes effect."

SEC. 4. Section 37 of such act, as amended, is amended to read as follows:

"SEC. 37. Number and territories of referees: a. The Director shall recommend to the district judges, the councils, and the conference the number of referees to hold appointment and the territory which each shall serve, after he has made a careful study of conditions throughout the country as a whole, and of local conditions, including the estimated amount of funds available for salaries, the areas and the populations to be served, the transportation and communication facilities, the previous types and amount of business under this act in such areas and where such business is centered, the existing personnel, and any other material factors. The territory of a referee may, if it is deemed advisable, lie within more than one judicial district, but shall be within one circuit: *Provided, however*, That the jurisdiction of a referee in any matter referred to him shall not be restricted to the territory to be served by him but shall, unless otherwise provided in this act, be coextensive with the territorial jurisdiction of the court or courts of bankruptcy whose judges participated in appointing him.

"b. (1) The Director shall, within 1 year immediately following the date of the enactment of this amendatory act, make the initial surveys required by subdivision a of this section, and required for subdivisions a and c of section 40, paragraph (2) of section 633, and paragraph (3) of section 659 of this act. Thereafter, the Director shall, from time to time, make such surveys, general or local, as the conference shall deem expedient. In the course of such surveys the Director shall give consideration to suggestions from any interested parties, including district judges, referees, bar associations, trade associations, and the like. The surveys shall be made with a view toward creating and maintaining a system of full-time referees. However, should the Director find, as a result of any such surveys, any area in which the employment of a full-time referee would not be feasible because of the small amount of business under this act and the extent of the territory to be served, he shall also report separately thereon, with a statement of all the pertinent facts and data and his recommendations and the reasons therefor. Upon the completion of the initial surveys the Director shall report to the district judges, the councils, and the conference concerning the number of referees, their respective territories, the amounts of their respective salaries, and the schedules of additional fees to be charged in asset, arrangement, and wage-earner cases. The district judges shall advise their respective councils, and the councils shall advise the conference, in respect thereto, stating their recommendations and their reasons therefor. The conference shall determine, in the light of the recommendations of the Director and of the councils, the number of referees, full-time and part-time, to be appointed, the respective territories which they shall serve, including the regular place of office and the places at which courts shall be held, their respective salaries, and schedules of graduated additional fees to be charged in asset, arrangement, and wage-earner cases, and such determinations shall become effective 60 days after they are promulgated by the conference.

"(2) The Director shall upon such promulgation divide by lot the total number of referees first to be appointed as equally as possible into three classes. The initial terms of the referees in the first class shall expire at the end of the second year, in the second class at the end of the fourth year, and in the third class at the end of the sixth year.

"(3) Thereupon the Director shall report in writing to the judge or judges of the several courts of bankruptcy the number of referees to be appointed by them in each of the three classes above specified, the respective territories which such referees shall serve, and the respective salaries to be paid to them. The judge or judges shall thereupon appoint, pursuant to subdivision a of section 34 of this act, such referees in each of the specified classes for terms commencing 60 days after such promulgation of the determinations of the conference, and shall select them as far as practicable from the referees then in office within their respective judicial districts.

"c. Except as otherwise provided in this act, the conference may, from time to time, in the light of the recommendations of the councils, made after advising with the district judges of their respective circuits, and of the Director, change the number of referees and the extent of the respective territories to be served by them, as the expeditious transaction of the business of the several courts of bankruptcy may require."

SEC. 5. Subdivision b of section 39 of such act, as amended, is amended to read as follows:

"b. Referees shall not (1) act in cases in which they are directly are indirectly interested; or (2) purchase, directly or indirectly, any property of an estate in any proceeding under this act. Active full-time referees shall not exercise the profession or employment of counsel or attorney, or be engaged in the practice of law. Active part-time referees, and referees receiving benefits under paragraph (1) of subdivision d of section 40

of this act, shall not practice as counsel or attorney in any proceeding under this act."

SEC. 6. Section 40 of such act, as amended, is amended to read as follows:

"SEC. 40. Compensation of referees; referees' salary and expense funds; retirement of referees: a. Referees shall receive as full compensation for their services salaries to be fixed by the conference, in the light of the recommendations of the councils, made after advising with the district judges of their respective circuits, and of the Director, at rates not less than $3,000 nor more than $10,000 per annum for full-time referees, and not more than $2,500 per annum for part-time referees. In fixing the amount of salary to be paid to a referee, consideration shall be given to the average number and the types of, and the average amount of gross assets realized from, cases closed and pending in the territory which the referee is to serve, during the last preceding period of 10 years, and to such other factors as may be material. Disbursement of such salaries shall be made monthly by or pursuant to the order of the Director.

"b. The conference, in the light of the recommendations of the councils, made after advising with the district judges of their respective circuits, and of the Director, may increase or decrease any salary, within the limits prescribed in subdivision a of this section, if there has been a material increase or decrease in the volume of business or other change in the factors which may be considered material in fixing salaries: *Provided, however,* That during the tenure of any full-time referee his salary shall not be reduced below that at which he was originally appointed under this amendatory act, and during any term of any such referee his salary shall not be reduced below the salary fixed for him at the beginning of that term: *And provided further,* That no salary fixed under the provisions of this section for a full-time referee shall be changed more often than once in any 2 years, or in an amount of less than $250.

"c. (1) Except as otherwise provided in this act, there shall be deposited with the clerk, at the time the petition is filed in each case, and at the time an ancillary proceeding is instituted, (a) $17 for each estate for the referees' salary fund, and (b) $15 for each estate for the referees' expense fund, as hereinbelow established: *Provided, however,* That in cases of voluntary bankruptcy such fees, as well as the filing fees of the clerk and trustee, may be paid in installments, if so authorized by general order of the Supreme Court of the United States.

"(2) Additional fees for the referees' salary fund and for the referees' expense fund shall be charged, in accordance with the schedules fixed by the conference (a) against each estate wholly or partially liquidated in a bankruptcy proceeding, and be computed upon the net proceeds realized; (b) against each case in an arrangement confirmed under chapter XI of this act, and be computed upon the amount to be paid to the unsecured creditors upon confirmation of the arrangement and thereafter, pursuant to the terms of the arrangement, and, where under the arrangement any part of the consideration to be distributed is other than money, upon the amount of the fair value of such consideration; and (c) against each case in a wage-earner plan confirmed under chapter XIII of this act, and be computed upon the payments actually made by or for a debtor under the plan. Such schedules of fees may be revised by the Director, with the approval of the conference, not more than once during each calendar year, so that the total amount of fees, allowances, and charges collected and to be collected from all sources for the referees' salary fund and for the referees' expense fund will, as near as may be, equal for each fund, respectively, the total amount of salaries paid and to be paid to referees in active service, and the total amount of their expenses: *Provided, however,* That such schedules of fees shall not be so revised for any year that the total collections estimated by the Director for such year shall exceed by more than 10 percent the total collections in the preceding year. The Director, with the approval of the conference, may make, and from time to time amend, rules and regulations prescribing methods for determining net proceeds realized in asset cases, fair values of considerations, other than money, distributable in arrangement cases, and payments actually made by or for a debtor under the plan in wage-earner cases; prescribing the procedure for collection by the clerk of fees and allowances for the referees' salary fund and the referees' expense fund; and providing for the effective administration of the provisions of this paragraph (2).

"(3) Charges for the expense of special services relating to or in connection with proceedings before referees shall be made and collected by the referees in accordance with regulations to be prescribed by the Director, with the approval of the conference, and the proceeds shall be paid by the referees to the clerk for transmission to the Treasury of the United States for deposit in the referees' expense fund.

"(4) A referee's salary fund and a referee's expense fund shall be established in the Treasury of the United States, and the amounts of the various fees and allowances collected by the clerks for the services of referees, and for their expenses, including the fees, allowances and charges for their services and expenses as conciliation commissioners and as special masters under this act, shall be covered into the Treasury of the United States for the account of such salary fund and expense fund, which funds are hereby permanently appropriated for the purposes of the respective funds. The salaries of the referees in active service shall be paid out of such salary fund, and the expenses of the referees, including the salaries of their clerical assistants, shall be paid out of such expense fund, by the United States. Any deficiencies of such salary fund or expense fund shall be paid out of any funds in the Treasury of the United States not otherwise appropriated, and appropriations to pay such deficiencies are hereby authorized: *Provided, however,* That there shall be covered into miscellaneous receipts of the Treasury of the United States in any subsequent year so much of the surplus, if any, arising in the salary fund or expense fund respectively as may be necessary to reimburse the Treasury of the United States for payments made on account of such respective funds in any prior year.

"(5) As of the day preceding the date when the referees, as provided by paragraph (2) of subdivision b of section 37 of this act, are to take office, an allocation shall be made by the judge or judges of the several courts of bankruptcy of all filing and other fees, commissions, and allowances, and of all expense funds, due the then-existing referees for services rendered and expenses incurred in the cases pending before them, whether as referee, conciliation commissioner, or special master under this act. The balances of such filing and other fees, commissions, and allowances and the expense surpluses shall be covered into the Treasury of the United States by the referees and the clerks, to be deposited to the credit of the respective salary and expense funds. All cases pending before outgoing referees shall be re-referred, and no additional filing fees shall be required, but additional salary and expense charges may be assessed in such cases in such amounts as the judge or judges of the several courts of bankruptcy may deem equitable, taking into consideration the schedules of additional fees fixed by the Director and the payments previously made therein.

"d. (1) All referees in bankruptcy and employees in the offices of such referees shall be deemed to be officers and employees in the judicial branch of the United States Government within the meaning of section 3 of the Civil Service Retirement Act of May 29, 1930, as amended.

"(2) Any referee who has retired or been retired under the provisions of paragraph (1) of this subdivision d may, if called upon by a judge of a court of bankruptcy, perform, without compensation, such duties of a referee, conciliation commissioner or special master under this act, within the jurisdiction of such court, as such referee may be able and willing to undertake: *Provided, however,* That, when so acting, compensation for his services shall be allowed and paid or deposited and his expenses shall be allowed and paid, as in the case of an active referee."

SEC. 7. Section 43 of such act, as amended, is amended to read as follows:

"SEC. 43. a. Vacancies; Referee's Absence or Disability: Whenever the office of a referee is vacant, or its occupant is absent or disqualified to act, the clerk of the district court in which the territory or any part of the territory served by such referee is located shall immediately notify the Director of such fact.

"b. Whenever the office of a referee is vacant, the Director shall recommend to the district judges, the councils and the conference whether a new appointment should be made, and no such appointment shall be made until authorized by the conference.

"c. Whenever the office of a referee is vacant or its occupant is temporarily absent or disqualified to act, or whenever the expeditious transaction of the business of the court or courts of bankruptcy may require, the judge, or any one of the judges, may act, or another referee holding appointment under such court or courts of bankruptcy may be designated by the judge, or by a concurrence of a majority of the judges where there is more than one judge, and where there is no such concurrence, then by the council, to act; or the council may designate another referee from within the same circuit to act, or the council may order that pending cases be re-referred and future cases referred to one or more referees within the same circuit; or the conference may temporarily assign a referee from another circuit to act."

SEC. 8. (a) Clause (2) of section 51 of such act, as amended, is amended to read as follows:

"(2) collect the fees of the clerk and trustee and the fees for the referees' salary fund and referees' expense fund provided in paragraph (1) of subdivision c of section 40 of this act in each case instituted before filing the petition, except where installment payments may be authorized pursuant to section 40 of this act, and collect the various other fees, allowances, and charges for the services of referees and for their expenses, including their services and expenses as conciliation commissioners and as special masters under this act;".

(b) Clause (5) of such section is amended to read as follows:

"(5) transmit to the Treasury of the United States all fees, allowances, and charges collected for the referees' salary fund and the referees' expense fund, and transmit to the trustee, within 10 days after a case has been closed, the fee collected for him at the time of the filing of the petition."

SEC. 8a. Subdivision a of section 52 of such act, as amended, is amended to read as follows:

"SEC. 52a. Clerks shall charge and collect for their services to each estate, whether in a court of primary or ancillary jurisdiction, a filing fee of $8. The clerk may collect this amount in installments when such installment payments have been authorized by General Order of the Supreme Court of the United States."

SEC. 9. Section 53 of such act, as amended, is amended to read as follows:

"SEC. 53. Statistics: The Director annually shall lay before Congress statistical tables which will accurately reflect the business transacted by the several bankruptcy courts, a statement of the amounts received and disbursed for the referees' salary fund and referees' expense fund, and all other pertinent data."

SEC. 10. Section 54 of such act, as amended, is hereby repealed.

SEC. 11. (a) Subdivision a of section 62 of such act, as amended, is amended to read as follows:

"SEC. 62. Expenses of administering estates; unauthorized sharing of fees; withholding allowances: a. (1) The actual and necessary costs and expenses incurred by officers, other than referees, in the administration of estates shall, except where other provisions are made for their payment, be reported in detail under oath, and examined and approved or disapproved by the court. If approved, they shall be paid or allowed out of the estates in which they were incurred.

"(2) The actual and necessary office and other expenses of referees shall be allowed when authorized and approved by the Director, including compensation of clerical, stenographic, and other assistants of referees at rates to be fixed by the Director, taking into consideration the rates for comparable services prevailing in the respective offices of the clerks of the several district courts, and the costs of establishing and maintaining their offices with equipment and supplies adequate for their efficient and economical operation, including mechanical equipment and devices and law libraries. Such expenses may be allowed when authorized by a judge of the judicial district or districts in which a referee serves in cases of emergency where it is not feasible to secure prior authorization of the Director. The Director, with the approval of the conference, may prescribe such rules and regulations as may be necessary for the purpose of carrying out the provisions of this paragraph (2).

"(3) When, in the opinion of the Director, the public interest requires it, he may, on the recommendation of a referee, which recommendation shall state facts showing the necessity for the same, allow the referee to employ necessary clerical, stenographic, and other assistants. The referee may at his pleasure remove any assistant in his employ. If the office of a referee shall become vacant, the employment of his assistants shall not thereupon be terminated: *Provided, however,* That during such vacancy the Director may terminate the employment of any assistant, if, in his opinion, the services of such assistant are no longer needed.

"(4) Referees and special masters under this act shall be entitled to transmit in the mails, free of postage, under cover of a penalty envelope, all matters which relate exclusively to the business of the courts, including notices in proceedings under this act."

(b) Subdivision b of such section is amended to read as follows:

"b. (1) When authorized and approved by the Director, the actual expenses of travel, and the actual expenses for lodging and subsistence not to exceed $7 per day, shall be allowed a referee while absent from his regular place of office on official business.

"(2) When authorized and approved by the Director, the assistants of referees shall be entitled to the same travel allowances as are provided for employees of the executive branch of the United States Government under the standardized Government travel regulations issued by the President, while absent from their regular place of employment on official business.

"(3) Payment of the expenses allowed or per diem granted under subdivision b and paragraph (2) of subdivision a of this section 62 shall be by or pursuant to the order of the Director."

SEC. 12. Clause numbered (1) of subdivision a of section 64 of such act, as amended, is amended to read as follows:

"(1) The actual and necessary costs and expenses of preserving the estate subsequent to filing the petition; the fees for the referees' salary fund and for the referees' expense fund; the filing fees paid by creditors in involuntary cases; where property of the bankrupt, transferred or concealed by him either before or after the filing of the petition, shall have been recovered for the benefit of the estate of the bankrupt by the efforts and at the cost and expense of one or more creditors, the reasonable costs and expenses of such recovery; the costs and expenses of administration, including the trustee's expenses in opposing the bankrupt's discharge, the fees and mileage payable to witnesses as now or hereafter provided by the laws of the United States, and one reasonable attorney's fee, for the professional services actually rendered, irrespective of the number of attorneys employed, to the petitioning creditors in involuntary cases and to the bankrupt in voluntary and involuntary cases, as the court may allow;".

SEC. 13. Section 72 of such act, as amended, is amended to read as follows:

"SEC. 72. Limitation of compensation of officers of court: No receiver, marshal, or trustee shall in any form or guise receive, nor shall the court allow him, any other or further compensation for his services as required by this act, than that expressly authorized and prescribed in this act.

"No referee shall receive any compensation for his services under this act other than his salary; and allowances made to a referee for compensation or expenses while acting as a conciliation commissioner under section 75, or as a referee or special master under any chapter or section of this act, shall be paid to the clerk, and by him transmitted to the Treasury of the United States for deposit in the referees' salary fund and referees' expense fund, respectively."

SEC. 14. Section 117 of such act, as amended, is amended to read as follows:

"SEC. 117. The judge may, at any stage of a proceeding under this chapter, refer the proceeding to a referee in bankruptcy to hear and determine any and all matters not reserved to the judge by the provisions of this chapter, or to a referee as special master, to hear and report generally or upon specified matters. Only under special circumstances shall references be made to a special master who is not a referee. The appointment of a receiver in a proceeding under this chapter shall be by the judge."

SEC. 15. Paragraph numbered (3) of section 624 of such act, as amended, is amended to read as follows:

"(3) Where a petition is filed under section 622 of this act, by payment to the clerk of $15 to be distributed, $10 to the Treasury of the United States for deposit in the referees' salary fund and $5 to the clerk, in lieu of the fees of $17 and $8 as prescribed in sections 40 and 52 of this act: *Provided, however,* That such fees may be paid in installments, if so authorized by general order of the Supreme Court of the United States."

SEC. 16. Paragraph No. (2) of section 633 of such act, as amended, is amended to read as follows:

"(2) The debtor shall submit his plan, and deposit with the clerk, for payment into the referees' expense fund a fee, not to exceed $15, to be graduated and charged in the manner outlined in paragraph (2) of subdivision c of section 40 of this act: *Provided, however,* That such fee may be paid in installments, if so authorized by general order of the Supreme Court of the United States."

SEC. 17. Paragraphs Nos. (1) and (3) respectively, of section 659 of such act, as amended, are amended to read as follows:

"(1) the costs of the referee as specified in paragraph (2) of section 633;".

"(3) an additional fee for the referees' salary fund, to be graduated and charged in the manner outlined in paragraph (2) of subdivision c of section 40 of this act, and to be computed upon the amount of the payments actually made by or for a debtor under the plan; and commissions to the trustee of 5 percent to be computed upon and payable out of the payments actually made by or for a debtor under the plan;".

SEC. 18. Sections 1 and 10 of this amendatory act and so much of section 4 of this amendatory act as amends subdivision b of section 37 of the act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, as amended, shall be effective upon approval of this amendatory act. All other provisions of this amendatory act shall become effective 60 days after promulgation of the determinations of the conference, as provided in the said subdivision b of section 37, as amended by this amendatory act: *Provided, however,* That the references contained in paragraph (1) of subdivision b of section 37 as amended by this amendatory act to "subdivision a of this section, and required for subdivisions a and c of section 40, paragraph (2) of section 633, and paragraph (3) of section 659 of this act" are intended to refer to those subdivisions and paragraphs as they will be amended when section 6 16, and 17 of this amendatory act become effective, and section 4 of this amendatory act becomes fully effective.

SEC. 19. a. All acts or parts of acts inconsistent with any provisions of this amendatory act are hereby repealed.

b. Nothing herein contained shall have the effect to release or extinguish any penalty, forfeiture, or liability incurred under any act or acts of which this act is amendatory.

c. If any provision of this amendatory act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of this amendatory act which can be given effect without the invalid provision or application, and to this end the provisions of this amendatory act are declared to be severable.

d. Section and subdivision headings shall not be taken to govern or limit the scope of the sections or subdivisions to which they relate.

The CHAIRMAN. If there are no amendments, under the rule, the Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Florida, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H. R. 4160) to amend an act entitled "An act to establish a uniform system of bankruptcy throughout the United States," approved July 1, 1898, and acts amendatory thereof and supplementary thereto, pursuant to House Resolution 374, he reported the bill back to the House.

The SPEAKER. Under the rule the previous question is ordered.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. HOBBS. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days within which to extend their own remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Alabama?

There was no objection.

EXTENSION OF REMARKS

Mr. MANSFIELD of Montana asked and was given permission to extend his remarks in the RECORD and include a telegram.

Mr. FARRINGTON asked and was given permission to extend his remarks in the RECORD and include a statement by himself.

Mr. THOM asked and was given permission to extend his remarks in the RECORD and include an address by Mr. Jacobson.

PERMISSION TO ADDRESS THE HOUSE

Mr. HENRY. Mr. Speaker, I ask unanimous consent that on Monday, October 29, I may address the House for 15 minutes following the legislative business of the day and special orders heretofore entered.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

CALL OF THE HOUSE

Mr. RANKIN. Mr. Speaker, I make a point of order that a quorum is not present.

The SPEAKER. The Chair will count. [After counting.] No quorum is present.

Mr. RAMSPECK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 175]

Allen, Ill.	Fulton	Mott
Auchincloss	Gamble	Norton
Baldwin, Md.	Gathings	O'Konski
Barden	Gifford	O'Toole
Barrett, Pa.	Gossett	Peterson, Ga.
Barry	Granahan	Pfeifer
Bates, Ky.	Green	Philbin
Bland	Griffiths	Ploeser
Bradley, Pa.	Gwinn, N. Y.	Poage
Buckley	Hagen	Quinn, N. Y.
Bulwinkle	Hall,	Rains
Butler	Leonard W.	Ramey
Byrne, N. Y.	Halleck	Randolph
Byrnes, Wis.	Harris	Rayfiel
Campbell	Hartley	Rivers
Cannon, Fla.	Hays	Robinson, Utah
Chiperfield	Heffernan	Roe, N. Y.
Clark	Hoffman	Rogers, Fla.
Cole, Kans.	Hope	Rogers, N. Y.
Cravens	Jarman	Rooney
Cunningham	Jenkins	Russell
Curley	Johnson,	Sabath
Davis	Lyndon B.	Sharp
Dawson	Jones	Sheridan
Delaney,	Keefe	Short
James J.	Keogh	Simpson, Pa.
Delaney,	Kilburn	Starkey
John J.	King	Stigler
Dickstein	Landis	Taylor
Dingell	Lane	Thomas, Tex.
Dirksen	Luce	Thomason
Douglas, Calif.	Lynch	Torrens
Drewry	McGehee	Vursell
Durham	McGlinchey	Weiss
Eberharter	Madden	Winter
Fernandez	Maloney	Woodrum, Va.
Flannagan	Marcantonio	Zimmerman
Forand	Mills	
Fuller	Morrison	

The SPEAKER. On this roll call, 318 Members have answered to their names; a quorum is present.

By unanimous consent, further proceedings under the call were dispensed with.

EXTENSION OF REMARKS

Mr. KOPPLEMANN asked and was given permission to insert in the Appendix of the RECORD a statement by himself including a statement by Rev. Dr. Clinchey, of Hartford, Conn.

Mr. COOLEY asked and was given permission to revise and extend his remarks.

PERMISSION TO ADDRESS THE HOUSE

Mr. PATTERSON. Mr. Speaker, I ask unanimous consent that on tomorrow, after the legislative business and any other special orders, I may address the House for 30 minutes.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

AMENDING THE TRANSPORTATION ACT OF 1940

Mr. BOREN, from the Committee on Interstate and Foreign Commerce, submitted a conference report and statement on the bill (H. R. 694) to amend section 321, title 3, part II of the Transportation Act of 1940 with respect to the movement of Government traffic, for printing in the RECORD.

The SPEAKER. Under the previous order of the House, the gentleman from New York [Mr. CELLER] is recognized for 1 hour.

UN-AMERICAN ACTIVITIES

Mr. CELLER. Mr. Speaker, at the outset of my remarks I wish to make it plain that I did not ask for this roll call. The gentleman from Mississippi [Mr. RANKIN] for purposes best known to himself, demanded this roll call.

Mr. RANKIN. Mr. Speaker, a point of order. I had the roll called in order to get the Members over here.

Mr. CELLER. That is quite obvious.

The huge volume of poisoned propaganda that has been spilled in this country by the Hitlerite jackals has had telling results. The evils of fascism and nazism, with their vile theories of racial superiority, have not been restricted to any one nation. Its roots have branched out and have grown deep into the subsoil of our own social, economic, and political life, and minority groups everywhere in this cherished country of ours are faced with the problem of digging up, weeding out, burning down the causes for the spread of this throttling growth. This is an activity which must engage our attention and it is well to know with what forces we will have to cope.

Tom Paine, whose pen proved mightier than any sword during the American Revolution, wrote at that time, "Prejudice, like a spider, makes everywhere its home and lives where there seems nothing to live on."

We must be realistic. We must face the fact that a virulent antialienism and anti-Semitism exists in this country; that there is a conspiracy against the foreign born; against the Negroes, because of their color; that professional "antis," like the spiders, are weaving their webs for the unwary and unsuspecting, especially amongst the lowly foreign born, and if a major depression is permitted to develop in the United States they will have a "field day." They are using the Fascist technique so ably demonstrated by Hitler and his hoodlums and are undertaking to turn against the Jews, Negroes, dagoes, all aliens seeking refuge here and other minorities, the nationalistic prejudices and resentments smoldering beneath the surface due to the chaotic events abroad. Some of them weep profuse, crocodile tears over disorganized Europe and in the next breath reiterate the charges that the Jews are solely responsible for the so-called spread of communism. To be a Jew, they would like you to believe, is to be, ipso factor, a Communist. They would turn Americans against all the foreign born. As a result, hundreds of thousands of Americans labor under the misapprehension that most Russians are Jews. There is no refuting these bigots. Then, too, any proponent of any change in our present economic system is hastily labeled, without hearing, a Communist, therefore, a Jew, therefore a dangerous character.

It would seem to me, in this campaign of hate, that never have men sunk so low. In my opinion, it is a moral catastrophe that has no parallel in history inasmuch as it would appear to be an invitation to fear and ruin. Racism, militarism, theological perversion, scientific lies, are preached and accepted without undue scrutiny. The exploiters of human weakness abound and are as malignant as a cancer. The unwillingness to recognize Nazi-Fascist brutality as a loathsome evil causes one to wonder as to the psychological state of the Nation. Are we to witness here a drama of national distintegration? Christianity—the word is fraught with such a tradition of brotherhood and mutual love—yet millions of its adherents render mere lip service to one of its most fundamental tenets, "Love they neighbor as thyself."

My esteemed friend and the famed author, Mr. E. A. Piller, in his brilliant exposé, Time Bomb, has analyzed the spreading growth of un-American pro-Fascist trends in the United States, as evidenced by the surprising increase in the number of organizations attempting to manipulate man's primitive, unrecognized, unrealized antagonism to the unlike. These groups are obsessed by the specter of communism and are seeking to attract at least a nucleus for supposed resistance. That they will organize total collapse and invite chaos does not occur to them, or if it does, it does not stop their plans. With an evil mixture of arguments, they seek to drag the gullible along a road beset with hazardous pitfalls in order to avoid a collision with the truth. But the House un-American Activities Committee is unperturbed.

The time alloted to me is necessarily limited but I believe it will be sufficient to touch briefly on the more notable examples of the anatomy of our native fascism. I am indebted to Mr. Piller for his challenging treatise on this distressing subject and have utilized his book to supplement my own knowledge of those

forces seeking to betray our invaluable heritage.

It must be stressed that not all these groups operate on the same level but it would appear that their aspirations of a political and social nature coincide—that is, to disrupt the American ideal of democracy which we have nurtured through the years. Most of these organizations concentrate on a venomous hymn of hate directed against all but their own self-selected group.

There is the highly respectable Committee for Constitutional Government, dominated by Frank Gannett and his wide interests, which seems to be ideologically linked with such organizations as the Christian America. Gannett's group has sought to reach into the upper stratum of our society with its highly organized publicity, its pamphlets and its Nation-wide mail campaigns. It has solid financial support. It recently launched an attack against the full-employment bill, now pending in Congress, tracing the ancestry of the legislation to Russia, quoting the Communist Party as saying the bill must pass and picturing it as the beginning of totalitarianism. The executive secretary of this committee is Edward A. Rumely, who was convicted and served in the penitentiary for failing to report German money during the last war.

Texas has provided the background for the Christian American, anti-union, anti-Negro, using the Ku Klux Klan time-worn technique, complete with proposed "necktie" parties, to great advantage, and stressing the idea of white supremacy. When the time is right, they plan a legislative assault to weaken labor, intimidate liberals, educators, clergymen, public office holders and not so incidentally, to frighten the Negro out of his recently acquired feeling of slight security.

The Klan itself is far from dead and is quietly reviving its strength throughout the South. Hoodlum groups are being activated, and, if the liberals do not weaken, terror will stalk the South. Well supplied with funds and excellent political connections, they have refused to divulge the names of persons or organizations supporting them.

The infamous Joseph P. Kamp is director of the Constitutional Educational League, supposedly "educational" in character. He has boasted of his long and close friendship with Martin Dies and recently published a "chiller", in pamphlet form, entitled "From the Files of the FBI", causing the Bureau to enter a vehement denial of its authenticity.

Then there is the Commoner Party, advertising its organizing campaign for "the formation of a Gentile Political party to combat the Jew and Negro racial blocs now active in the political affairs of the Nation." It operates out of Conyers, Ga. This group's leaders, Shipps and Emmons, have also distributed a violently anti-Catholic booklet titled "The Conflict of the Ages." They are known to have influential friends and extensive contacts.

Eugene Talmadge has not been idle. He edits the antilabor, anti-Negro, anti-Semitic papers, the Statesman, demanding white supremacy. But the un-American Activities Committee ignores these vicious groups.

In Houston, one finds the American Crusaders, planning to rid the country of the "niggers" and the "Jews" after the war. This is also the home town of the Order of American Patriots. No less.

In the Midwest, there are two major operational centers—Detroit and Chicago—in which these subversive forces thrive.

Chicago is the headquarters for many "anti" organizations sponsoring much the same program. They are against world cooperation, Jews, racial equality, the "Four Freedoms", and so forth, and so forth. They see red everywhere—and anywhere. "Liz" Dilling and "Nazi" Joe McWilliams are uproariously welcomed at mass meetings held there.

This town may also be ashamed of the fact that it harbors the Gentile Cooperative Association, which publishes the Gentile News, urging Gentile ownership and control of business, civic, social, and cultural groups—a more subtle and devious approach to the so-called Jewish problem.

However, many authorities consider Detroit to be the greatest danger spot in the Midwest. At the moment, the city is seething with unexpressed unrest, and with the many problems attendant upon overcrowding, poor housing facilities, and unemployment due to reconversion cut-backs, it is constantly watched for signs of disorder, played upon as it is by these protagonists of dissension, distortion, and strife.

Then, too, Detroit, is the stamping ground of Gerald L. K. Smith and Father Coughlin. The activities of the latter, until suppressed, are too well known to require repetition at this time. His most recent and seemingly innocuous movement is in the guise of a purely religious society now known as the St. Sebastian Guild, with a reputed membership of 200,000 servicemen, not to mention their mothers, wives, and sweethearts. No one cares to venture a prediction at the moment as to the future prospectus of this group.

Ubiquitous Gerald L. K. Smith is a prominent and proficient disseminator of un-American ideas. He is now head of the America First Party.

In Detroit there is the group known as the United Sons of America running a close parallel to the infamous Black Legion, of Klan inspiration.

It is also estimated that some 2,000 "hell-fire preachers" peddle their nefarious doctrines in pulpits and hired stores throughout Detroit.

But against all this the House Un-American Activities Committee directs no searchlight of inquiry.

In Kansas, Gerald Winrod, previously indicted for alleged sedition, continues his lamentable goings-on unabated.

In Indianapolis, Carl Mote edits the magazine American America Preferred.

In Los Angeles, Dr. A. T. Lovell is the leader of the National Kingdom, the west-coast branch of the Anglo-Saxon Federation. He has offered the observation that there were a few good Jews left, that he had nothing against Jewish women and children but the Jewish adults who had control of the country will have to suffer the penalty and pay for their misdeeds. He doesn't overlook taking a crack at Catholics and Russia gets more than a fair share of his attention.

The American National Democratic Committee—absolutely unaffiliated with the National Democratic Committee—has sought to profit by the association of names in the public mind.

There is the group known as the Knights of the White Camelia, and we must not forget the misguided yet vociferous women's groups, as exemplified in We the Mothers Mobilize for America, National Blue Star Mothers, the Current Events Club in Philadelphia, headed by Mrs. Catherine Brown, an associate and admirer of G. L. K. Smith.

There are many seeking to organize any discontent that may be dogging our returning veterans. We have G. L. K. Smith sponsoring the Nationalist Veterans of World War II. Joe McWilliams has set up the Servicemen's Reconstruction League. Edward J. Smythe hopes to get going with the Protestant War Veterans. There is the proposed Military Order of the Liberty Bell. We have the American Order of Patriots, operating out of Houston, Tex., labeled plainly "for Gentiles only." And as time goes on, unless something drastic is done about it, many more similar hate groups will begin to flourish.

Then there is the DAR, which has given us two striking examples of the Hitler philosophy of Herrenvolk and Sklavenvolk and the Hitler technique of ostracism. Refusing Constitution Hall to two distinguished artists, Marion Anderson and Hazel Scott, was most un-American. Does the Committee on Un-American Activities dare to continue to ignore the DAR?

In the congressional act of 1896, among the purposes for which the DAR was founded, appears the high-sounding phrase "securing for mankind all the blessings of liberty." It should read "securing for white mankind all the blessings of liberty."

The DAR has the right, for example, to deposit its collections in the Smithsonian and National Museums. It is privileged to make an annual report to the Smithsonian's secretary, who sends it to Congress, which has it printed by the Government Printing Office. All these endow the DAR with the character of a quasi-public organization.

Beyond doubt, the DAR has some responsibility to the citizens of the United States under these circumstances, and it cannot exclude any particular race or creed from the hall it owns.

Why does the present Committee on Un-American Activities seek to ape the discredited Dies committee by thus far operating only upon liberal or ultra liberal groups and individuals they suspect? What is sacrosanct about the Fascist organization called the Christian Mobilizers or the Christian Fronters or the resurrected Ku Klux Klan now burning fiery crosses on southern hillsides? Is the DAR a sacred cow?

I have only named a few of the bundle of dangerous demagogues and rabble rousers and peddlers of poison and hate sheets. What about these hate sheets?

I ask the members of the House Committee on Un-American Activities to investigate some of them. These damnable publications abound everywhere. Just to name a few: America Preferred, out of Indianapolis; Cross and Flag, published in the South; Destiny, coming from Detroit; Guildsman, from Germantown, Ill.; America Speaks, from California; Constitutionalist, from Wichita; Women's Voice, from Chicago; and the National Record, from Washington.

What is Mr. Adamson, counsel of this committee, doing about these vile, scurrilous, un-American publications and their editors and publishers, who would split America into segments and fill the country with racial and religious antagonism; split the Nation into hostile factions until it could find unity only in some sort of fascist slavery with some sort of fuehrer or il duce where they could also be top dogs?

On the face of all this come the unwelcome rumors—and I hope that they are only rumors—that Robert Stripling is to be discharged from the Army to become counsel again for this Un-American Activities Committee, although he has insufficient points to permit him to be discharged, and just at the time that his unit is to be sent to Japan. This is the same fellow who was deferred from the draft four distinct times. Such tender consideration for this soldier would be a damnable outrage. This is the same Stripling who, with its former chairman, Martin Dies, directed the vaudevillian antics, the brass-band tactics, the star-chamber proceedings of the former Dies committee. I warn the present committee. It can do a constructive job by picking no favorites- -that is by impartially examining liberal as well as conservative commentators, by subpenaing scripts of prolabor as well as antilabor commentators, cross-examining ultra-bourbon newscasters as well as those with social awareness.

The present committee can either adopt the Dies course of unfounded character assassination, lynch law, and prosecutor-jury-executioner complex or it can proceed, as I hope it will, in a manner true to American tradition, with the right to be heard, fair proceedings, and placing emphasis on investigation of all, not a selected few, foreign isms.

This committee has gotten off to a false start by singling out for investigation, broadcasters who can be labeled liberal and ignoring those of ultra-reactionary caste. Specific scripts of the following named have been subpenaed: Cecil Brown, heard on Mutual; Johannes Steel and Sidney Walton, WHN; William S. Gailmor, WJZ; Raymond Swing, of the American Broadcasting Co.; J. Raymond Walsh, of WMCA, and Hans Jacob, of WOV.

Mr. THOMAS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. CELLER. Just a moment.

Mr. THOMAS of New Jersey. I want to correct the gentleman on a mistake he has made.

The SPEAKER. The gentleman from New York declines to yield.

Mr. CELLER. Mr. Adamson also asked CBS to forward a copy of the Eversharp program script of September 30.

This procedure can be interpreted by every reasonable man as an attempt to frighten liberals off the air—these men are all liberals—an attempt to intimidate sponsors of liberal programs. I hope that the Committee on Un-American Activities will take heed.

Mr. THOMAS of New Jersey. Mr. Speaker, will the gentleman yield right there?

Mr. CELLER. Strangely enough, antilaborites and reactionaries like Rupert Hughes and the vicious Upton Close and the unctious and pontificial H. V. Kaltenborn and the caustic Bill Cunningham and others of their ilk apparently are not to be bothered. They apparently have the imprimatur of approval.

The excuse is given, I understand, that Mr. Adamson started all this. Well, if that is the case, why do not the members of the committee stop Mr. Adamson?

Mr. THOMAS of New Jersey. Mr. Speaker, will the gentleman yield right there?

Mr. CELLER. If they do not, the committee is responsible. Just wait until I finish my statement, and I will yield.

Mr. THOMAS of New Jersey. Does the gentleman mean the whole statement? I want to correct the gentleman. He made a very bad mistake.

Mr. CELLER. I will yield to the gentleman if he is going to be persistent. I have a high regard for him.

Mr. THOMAS of New Jersey. I want to correct the gentleman in this regard. The gentleman is absolutely wrong when he says the committee or any employee of the committee subpenaed any radio scripts.

Mr. CELLER. I said that rumor has it that Mr. Adamson did this on his own account.

Mr. THOMAS of New Jersey. There were no scripts subpenaed.

Mr. CELLER. If that is the case, why do you not crack the knuckles of Mr. Adamson and tell him he had no right to do this without conferring first with the committee?

Mr. THOMAS of New Jersey. They were never subpenaed. I want to tell the gentleman that, and every member of our committee, both Democrat and Republican, will back me up on it.

Mr. CELLER. Does the gentleman speak for the committee?

Mr. THOMAS of New Jersey. No, I do not, but I happen to know in this particular case that no scripts were subpenaed.

Mr. CELLER. If the gentleman will tell me that the names I have mentioned of liberal commentators are to be withdrawn from any subpena and their scripts are not to be requisitioned, I will withdraw everything I say. I presume the gentleman from New Jersey makes a difference between request and subpena. I make no difference. If anyone refuses a request it would be followed by some forceful procedure.

Mr. THOMAS of New Jersey. Yes, but the gentleman made a charge that there were scripts subpenaed. I am telling the gentleman he is wrong, as usual.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I refuse to yield further.

Mr. COFFEE. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

Mr. COFFEE. I would like to make a statement, if the gentleman will permit me.

Mr. CELLER. Go ahead.

Mr. COFFEE. I would venture the suggestion to the gentleman that the scripts were not subpenaed, but they were requested.

Every lawyer knows there is a distinction but not a great difference between the two. In that connection, when a request is made by the Committee on Un-American Activities, it is considered as tantamount to a subpena, and the radio broadcasters would look upon the refusal of the committee's request as similar to contempt of the committee or perhaps a prelude to a subpena.

Mr. CELLER. The conclusion is inescapable, unless this request or whatever you may call it, I will tell the gentleman from New Jersey, is withdrawn, we are having a repetition of the deep-seated mania of attacking only one set of opinion molders because they happen not to coincide with the political ideology of Mr. Adamson or the members of the committee. I warn the committee again that the power to investigate is a great public trust, and the committee should not forget that for one single intsant. Six hundred and twenty-five thousand dollars was uselessly, in my humble opinion, spent by the Dies committee, mainly looking for ghosts under the bed, just tidbits that made lurid headlines. That money was spent in trying to destroy that which the committee professed to protect, namely democratic processes.

Mr. COFFEE. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

WHO CONTROLS THE AIR?

Mr. COFFEE. Mr. Speaker, I wish to ask the question, Who controls the air? Maintaining the air free from monopolistic control has been clearly expressed as a policy of the United States Government. The Federal Communications Commission made this policy vocal when they said:

> It is economically and socially unwise to concentrate the control of broadcast facilities in the hands of a select few, and it is * * * essential to keep the door open to the fullest extent possible for newcomers.

Can we, as a nation, and as a national legislature, point with pride to the successful promotion of this freedom from monopolistic control in the airways? The answer is emphatically, "No."

In the Communications Act of 1934, Congress provided that radio stations should be operated only for "public interest, convenience, and necessity," and it has been the job of the Federal Communications Commission to grant licenses under this general policy.

Let us look at some of the facts that have accrued since 1934. The most appalling facts in connection with the concentration of control over the airways concern the activities of the National Association of Manufacturers and the extent and methods of control they exercise over the air waves.

For example, 10 clear-channel 50,000-watt stations now licensed to members of the NAM, utilize more power and space in the spectrum than all of the Nation's 444 local 250-watt stations put together. Furthermore, the actual networks themselves owe substantial percentages of their income to a few powerful advertisers and advertising agencies. Twenty-six percent of CBS's 1944 revenue came from four advertisers and 38 percent from four advertising agencies. A similar story could be told of the other national networks. Another factor pointing toward increasing concentration is the fact that in 110 cities, in which there is only one newspaper publisher and only one radio station, these two vital ways of reaching the citizens are either owned jointly or affiliated with each other. Another element in this question of concentration is the $71,000,000 worth of radio time purchased on the four major networks in 1944 by 46 advertisers who are also listed among the largest contributors to the NAM.

The fact of the matter is that there is freedom of the air only to those who can pay for it, and who are willing and able to maintain their "in" with the broadcasting systems at a terrific cost annually.

There are many who might say that this extensive power is perfectly legitimate in view of the size of the corporations themselves. To those people, I would say, how has this great concatenation of economic pressure, represented by the NAM, been used in the past? Has it been used for the "public interest, convenience, and necessity" or has this tremendous influence been directed toward perpetuating and furthering the selfish interests of the already wealthy industrialists?

I think the mildest description I could make of the NAM's activities is that they have consistently sought to present what they term the "businessman's point of view." Now, I have no objection if they are referring to the little-business man, the man who comprises a sizeable section of our population and whose interests certainly deserve to be defended. But I seriously question whether this is the case or whether the point of view they are referring to is that shared by men such as the 46 largest radio advertisers and NAM contributors mentioned before. This seemingly harmless defense of monopolists and big-league industrialists has been done so subtly and cleverly that the public is not even aware that they are being propagandized. Day after day, systematically and forcefully, the National Industrial Information Committee, which is part of the NAM, has attempted to hammer home to the American public the NAM's opinion about the national scene in general and the manufacturing industry in particular.

When I say systematically, I mean just that. The National Industrial Information Committee has left no stone unturned in its effort to rally to the cause of NAM every ounce of pressure which the tremendous economic resources of its membership can control.

Mr. SHAFER. Mr. Speaker, will the gentleman yield?

Mr. CELLER. In just a moment. I had intended to yield to the gentleman but he was not here and I yielded to the gentleman from Washington [Mr. COFFEE].

Mr. COFFEE. In short, they have utilized cleverly the well-known Hitlerian formula—if you can tell a story often enough and long enough, eventually people will begin to believe it.

To see the NAM in action realistically, let us look at their methods when a public issue which threatens to intefere with their power and privilige comes before the Nation. Their public relations director said in 1937, "Strikes are being won or lost in the newspapers and over the radio." Under this theory, which they apply to every major issue, their agents get the entire radio system to support their job of winning over the American public. In 1935, at a turning point in our legislative policy, the NAM was active in forcing the active support of radio stations all over the country to defeat the progressive measures then before the Congress. In a letter written at this same time by that same director of public relations, three issues were cited—the Wagner labor disputes bill, the social security bill, and the early adjournment of Congress, which would mean the laying aside of reform legislation. I quote from this same letter, "One, two or three speeches from every radio station in the country during this crucial period, when Congress is formulating its final program explaining important issues to the people, urging them to express their views to Congress would be tremendously effective. Others are utilizing every medium of publicity and education. Are we?"

The diabolical part of this set-up is that the NAM can get radio time to have its views expressed over the national hook-ups, often without even paying for it. It has boasted that as a result of its power over many of the licensees it was able to secure as much as $1,000,000 worth of free time in a single year. NAM employees have been presented as impartial news commentators in daily broadcasts on a national scale, without any revelation of their connection with the NAM.

I charge that there are pitifully few really independent commentators left on our NAM-dominated American air waves. Are we going to allow a committee of this House, speaking and acting for the entire House, to frighten, threaten, or not too subtly to cajole into silence those few commentators and radio programs whose views and interpretations of the news may not meet the exacting tests of NAM censors? With all the power at my command, I shout "No."

Mr. SHAFER. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. Does the gentleman yield for a parliamentary inquiry?

Mr. CELLER. I yield.

Mr. SHAFER. I would like to inquire how much time the gentleman from Washington has to read this statement.

The SPEAKER. He has all the time that the gentleman from New York [Mr. CELLER] will yield him, included within the hour of the gentleman from New York.

Mr. SHAFER. Will the gentleman yield to me later?

Mr. CELLER. I intend to yield to the gentleman later. I hope the gentleman will terminate his remarks soon.

Mr. COFFEE. And how have they done this? By handing cut canned propaganda which they are able to force radio stations to use through economic pressure. Apparently harmless series of programs, designed for the entire family, are full of plugs, however, for the NAM's interpretation of the news. This has been provided as a steady diet for the American public. "Public Information" is what the NAM calls this campaign. This group furnishes free of charge to radio stations a series of dramatic sketches, interviews, and speeches featuring prominent industrialists, all of which are presented to the radio audiences without the identification of the NAM attached. These programs are usually identified with the name of the National Industrial Council, a name unfamiliar to the American public and which is not generally connected with the NAM.

In other words, are we going to censor radio? That is the pertinent point which the gentleman from New York brought up in this discussion, as to whether or not all of us are going to sit back without protest while our own committee, designated by us, requests the scripts of certain special, liberal radio commentators, while ignoring those of a more conservative complexion. That is the issue of freedom of speech, freedom of press, and freedom of the radio.

Mr. CELLER. The gentleman states the issue very succinctly indeed.

Mr. JACKSON. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

Mr. JACKSON. I would like to call to the attention of the Members of the House an article which appeared today in the Washington Daily News by one of the staff writers of the Scripps-Howard papers, Eugene Siegel. He makes mention of an individual by the name of Carl Mote, who edits a magazine called America Preferred. It might be of interest to quote briefly from this article. It reads as follows:

CLEVELAND, October 24.—Carl H. Mote, Indianapolis hate propagandist whose activities were detailed in Scripps-Howard newspaper articles exposing the Nationalist Party, has been ousted as president of the National Farmers Guild for creating dissension and disunity. The articles appeared in the Washington Daily News.

Mote, whose magazine America Preferred published a letter declaring the war had demonstrated that the Germans are superior to Americans, was removed by unanimous vote of officers and directors of the Guild, meeting at Monticello, Ind. They charged him with misconduct in office, insubordination and with calling Indiana Farmers' Guild directors un-American.

Guild officers said the letter to which they objected was published in the May issue of America Preferred without adverse comment

by publisher Mote. The letter said: "The war has fully demonstrated one thing, and that is that the Germans are superior to Americans and the English physically, intellectually, esthetically, and morally."

GERALD SMITH ASSOCIATE

Mote is a close associate of Gerald L. K. Smith, notorious rabble-rouser. He became president of the Farmers Guild in December 1944. The Guild is active in Ohio, Pennsylvania, Michigan, Illinois, Indiana, Iowa, Wisconsin, and Minnesota.

In March 1944, Guild members in Drake County, raided the township hall at Greenville, destroying OPA and Agricultural Adjustment Administration records. A Federal court imposed suspended prison sentences and fines on six of them.

SECOND CLIPPED

Mote is the second important nationalist leader whose activities were curtailed following publication of articles in the Scripps-Howard newspapers.

Robert R. Reynolds, organizer and head of the Nationalist Party, has ceased publishing one of the party's organs.

Mr. CELLER. I am glad the gentleman has reemphasized what I said to this man Mote and Gerald L. K. Smith.

Mr. BIEMILLER. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

Mr. BIEMILLER. I desire to make one or two brief comments on certain points that have been made in the discussion previously. First of all I think all Members are aware of the fact that many of the American native Fascist organizations that have been spewing their hate around this country for the last couple of decades have been giving birth to brand new pseudo veterans' organizations during the last year or so. I am reliably informed that one of the fine veterans' organizations composed of men who have seen service in this war, the American Veterans' Committee, has asked the Committee on Un-American Activities to investigate some four or five of these Fascist veterans' organizations. I am further informed that to date the committee has taken no action upon this request and I should like to know why the Committee on Un-American Activities does not investigate these newly formed Fascist veterans' organizations.

My second comment is that I should like to submit to the gentleman from New York for inclusion with his remarks if he so desires, a table that I have supplementing the remarks made by the gentleman from Washington. I hold in my hand a list of 53 corporations who are among the biggest contributors to the National Manufacturers Association, all of whom have spent large sums of money on the radio. The total amount spent by these 53 corporations, according to Advertising Age, which no one in this House can accuse of being a Communist organization, is $82,729,886 for the year 1944 alone.

I agree entirely with the remarks of the gentleman from Washington; control of the air certainly rests in the hands of the NAM and its affiliated large corporations. If the Committee on Un-American Activities wants to know why there is little freedom of the air I suggest they investigate the NAM and its affiliated corporations.

Mr. CELLER. I shall be glad to include the table:

EXHIBIT No. 6

Table showing network radio time expenditures in 1944[1] by 53 corporations among the 262 largest contributors[2] to the National Association of Manufacturers

NAME OF COMPANY AND 1944 RADIO NETWORK EXPENDITURES	
Allegheny Ludlum Steel Corp	$222,892
American Telephone & Telegraph Co	741,606
American Tobacco Co	3,599,777
Armour & Co	295,792
Armstrong Cork Co	403,395
Campbell Soup Co	1,576,473
Celanese Corp. of America	756,093
Chrysler Corp	782,064
Colgate-Palmolive-Peet	3,370,285
Corn Products Refining Co	496,428
Cudahy Packing Co	652,351
Curtis Publishing Co	603,649
E. I. duPont de Nemours	760,650
Electric Auto-Lite Co	623,244
Emerson Drug Co	1,086,576
Firestone Tire & Rubber Co	754,140
General Electric Co	2,413,197
General Foods Corp	9,519,882
General Mills, Inc	5,746,107
General Motors Corp	999,219
Gillette Safety Razor Co	703,978
B. F. Goodrich Co	963,025
H. J. Heinz Co	831,376
Johnson & Johnson	311,340
Johns-Manville Corp	863,730
Kellogg Co	3,259,859
P. Lorillard Co	1,527,773
McKesson & Robbins, Inc	473,402
Minneapolis-Honeywell Regulator Co	334,626
John Morrell & Co	290,344
National Dairy Products Corp	1,594,085
Owens-Illinois Glass Co	1,165,403
Pet Milk Sales Corp	800,350
Pillsbury Flour Mills Co	214,304
Procter & Gamble	13,093,076
Pure Oil Co	591,608
Quaker Oats Co	1,999,955
R. J. Reynolds Tobacco Co	3,420,834
Radio Corp. of America	573,445
Sherwin-Williams Co	1,043,004
Socony-Vacuum Oil Co., Inc	1,380,563
E. R. Squibb & Sons	891,002
Standard Brands, Inc	3,216,734
Standard Oil of California	209,148
Sun Oil Co	956,348
Swift & Co	1,257,138
Texas Co	1,104,527
United States Rubber Co	1,306,719
United States Tobacco Co	411,504
Vick Chemical Co	779,309
Westinghouse Electric Manufacturing Co	1,473,719
Wheeling Steel Corp	164,643
Wilson Sporting Goods Co	119,195
Total	82,729,886

[1] Source: Advertising Age, March 5, 1945, pp. 42–43. Excluded from this table are (a) all companies spending less than $100,000 in 1944 for network time over the four major networks, and (b) the nonnetwork radio time expenditures of the companies shown.

[2] Source: Report of the Senate Committee on Education and Labor investigating violations of free speech and rights of labor; Labor Policies of Employers' Associations, part III, the National Association of Manufacturers, appendix 5, pp. 247–255. Excluded from this table are nearly 12,000 other corporations which are members of the NAM and many of which unquestionably buy radio time.

Mr. PATTERSON. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from California.

Mr. PATTERSON. I wish to make a few observations. The so-called Un-American Activities Committee is a hang-over from the old Dies committee, which entirely disregarded judicial procedure. Witnesses were not permitted to have counsel; the accused were not allowed to face their accusers. These same tactics have been carried over by the new standing committee. The old was wrong, and this is wrong.

The old committee and this committee have violated the concept of American democracy. We have a Federal Bureau of Investigation to uncover subversive activities in America, and I cannot see why the additional expense of a congressional committee, with no power to take punitive action, should be borne by the taxpayer.

To me this committee is a sham. It is not used to bring to justice those who indulge in un-American activities. Rather it is used as a political weapon against the members of the Democratic Party.

On the eve of the California general election in 1938 the Dies committee released to the press false, perjured testimony against the Democratic candidates for Senator, Governor, and Lieutenant Governor. They were never given a chance to defend themselves against this smear.

The Dies committee and the present committee have investigated the motion-picture industry in California. The Dies committee came up with nothing, and I am sure this one will have the same experience.

The present committee has now embarked on an intimidation through insinuation campaign, investigating the scripts of radio commentators. To my knowledge, one man has already been fired by his station because of the stigma attached thereto.

If this committee can investigate the radio scripts of commentators, it can also review the press and those scripts prepared by all candidates of the Democratic and Republican Parties. Thus, by intimidation through insinuation curtailing the freedoms of speech and press and the thoughts of all people's candidates for office.

To me this is riding herd upon the thought of the American people. It is against the very spirit of our Constitution and our free American institutions. I feel that the activities of this committee are an attempted legalistic body blow against all of us here in the United States who value our democratic form of government. A frightening similarity arises between these activities, those of the Japanese thought police, and Hitler's gestapo.

My purpose in speaking today is to recommend that the Congress consider House Resolution 376, which, when adopted, would bring to the floor, for full debate, House Resolution 58, which in turn strikes out the rules which set up the present so-called un-American Activities Committee.

Mr. CELLER. I thank the gentleman for his observation and before yielding further may I say that there is no static

definition of "Americanism." There must be fluidity in the determination of that definition just as there must be fluidity in all political thought; otherwise we just become robots and automatons. Therefore, when somebody comes on the radio or somebody in the pulpit or somebody in the press speaks for a change, it is idle, it is tragic, to brand that person, regardless of his affiliation, as a Communist or as somebody who is loathsome just because he is dissatisfied with the status quo.

Mr. HOOK. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Michigan.

Mr. HOOK. Mr. Speaker, the gentleman from California mentioned Resolution 58. I happen to be the author of that resolution. It is very short and repeals the part of the rule which was adopted, as amended, on the first day of the present session. It is my understanding, however, that a discharge petition with regard to rule LVIII would not lie because of the fact that it is not a public resolution.

There is a way to do something about this. On January 29 of this year I introduced H. R. 1834, a bill to prescribe the procedure of legislative investigating committees and to protect the rights of parties under investigation by such committees.

I have no quarrel with investigating un-American activities. I do feel, however, that we should not have a permanent standing investigating committee of that nature, which was the reason I introduced House Resolution 58. I introduced H. R. 1834, a bill that if adopted would take care of most of this criticism. It is to set up a proper procedure for investigating committees. It was not picked out of the air. Practically the same thing came up over 20 years ago in Great Britain. They were having the same trouble. Then there was an investigation made of this same subject and a report sent to Parliament on investigations by royal commissions.

Rules and regulations were set up that worked the thing out perfectly. I have based that bill upon that report. The establishment of the Committee on Un-American Activities as a standing committee of the House of Representatives brings this problem to a head. At the time I introduced this bill I sent out to practically every educator in this Nation and practically every prominent person, both conservative and liberal, a copy of the bill and asked them for their comments. I am happy to say that a big majority of the educators and prominent people of this Nation have endorsed the bill.

I have here a letter from Dean Landis of the Law School of Harvard University in which he endorses the bill and suggests some few changes which I think are commendable. I think that we should adopt this bill setting up proper procedure of investigating committees not only for the protection of the witnesses but for the protection of the Committee itself. We will then eliminate nine-tenths of the criticism that has been heaped upon the Committee. I have today placed in the hopper a resolution to make H. R. 1834 a special order of business. If we are not considered on that, I shall in due time place on the Clerk's desk a petition to discharge the Committee on Rules so that we may consider this bill.

H. R. 1834

A bill to prescribe the procedures of legislative investigating committees and to protect the rights of parties under investigation by such committees.

Be it enacted, etc.,

DEFINITION

SECTION 1. The term "legislative committee," as used herein, shall mean any joint, standing, select, or special committee or subcommittee thereof, established by a joint or concurrent resolution of the two Houses of Congress or by either House or by any committee of either House.

HEARINGS OF LEGISLATIVE COMMITTEES

SEC. 2. (a) A legislative committee may hold either public or private hearings and may examine witnesses and receive documentary evidence in such hearings.

(b) If the testimony of a witness in a private hearing shall be reported stenographically, he shall be entitled to a stenographic copy of such testimony, upon payment of the costs of such transcript, as soon as the committee shall make any public reference to such testimony.

(c) A witness at a private hearing shall have the right to have his attorney present: *Provided*, That such attorney shall be allowed only to observe the proceeding and not to participate in it nor to advise the witness while on the witness stand, unless the committee member conducting the hearing shall at his discretion allow such attorney other privileges.

(d) A witness who testifies in a public or private hearing shall have the right at the conclusion of his testimony either to make an oral statement or at his option to file a sworn statement, which shall be made part of the record of such hearing.

(e) If a witness at a public hearing shall by oral testimony or documentary evidence defame, allege misconduct by, or otherwise comment adversely upon any individual, partnership, association, corporation, or governmental agency or officer or employee thereof, and the committee shall not strike such material from the record, such individual, partnership, association, corporation, or governmental agency, or officer or employee thereof, shall have the right to file with the committee a sworn written denial, defense, or other explanation, which shall be made part of the record of such public hearing, and in addition the person individually defamed or otherwise the subject of adverse comment shall have the right to testify in person concerning such adverse comment in a public hearing to be conducted by the committee.

(f) No witness shall be deemed in contempt of a legislative committee for refusing to obey a subpena issued by one or more of its members, unless and until the full committee has, upon notice to all its members, met, considered the alleged contempt, and by a majority of those present voted such witness in contempt of such committee: *Provided*, That this subdivision shall not apply to a witness who having obeyed a subpena declines to answer a question at such hearing or otherwise acts contumaciously.

REPORTS OF LEGISLATIVE COMMITTEES

SEC. 3. (a) A legislative committee shall not publish or file any report, whether interim or final, unless and until a meeting of the committee has been called upon proper notice and such report has been approved by a majority of those voting at such meeting.

(b) A legislative committee, its members, counsel, employees, or agents, shall not publish or file any statement or report alleging misconduct by or otherwise commenting adversely upon any individual, partnership, association, corporation, or governmental agency, unless and until such individual, partnership, association, corporation, or governmental agency has been advised of the alleged misconduct or adverse comment and has been given a reasonable opportunity to present its sworn written denial, defense, or other explanation to such committee; nor shall any such statement or report be publicly released unless and until the committee, upon notice to all of its members, has met and approved such public release.

NO PRIVATE PROFIT FOR COMMITTEE MEMBERS OR STAFF

SEC. 4. No member of a legislative committee, its counsel, employees, or agents, shall for compensation speak, lecture, or write about such committee, its purposes, procedures, accomplishments, or reports, during the existence of such committee.

LETTER SENT TO PROMINENT PEOPLE THROUGHOUT THE NATION REQUESTING COMMENTS ON H. R. 1834

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C.

DEAR FRIEND: The establishment of the Committee on Un-American Activities as a standing committee of the House of Representatives brings to a head the problem of procedures surrounding the activities of this, and all other congressional investigative committees.

I opposed the creation of a permanent congressional committee to inquire into the motives and actions of individual Americans. It was and is my contention that the investigation of activities allegedly inimical to the interests of the country is properly the responsibility of the Federal Bureau of Investigation and of the Army and Navy Intelligence Services. I have introduced a resolution calling for repeal of the amendment creating the present Committee on Un-American Activities.

However, whatever the eventual disposition of that resolution, the question of the procedures involved in congressional investigations is one that should be the concern of all persons interested in the protection of the civil liberties of the individual citizen. The stigma of bias and malpractice which was attached, and properly, to the Dies committee will be leveled at the present committee unless steps are taken to prevent it from itself indulging in un-American tactics in its investigations.

I am writing you to obtain your reaction to a bill introduced by me in the House of Representatives which sets up guaranties against capricious or malicious misuse of congressional investigative authority. The bill (H. R. 1834) in no way limits or defines the scope of such authority. Its sole purpose is to protect the rights of persons under investigation by congressional committees.

The ever-increasing scope of inquiries undertaken by committees of the Congress has given to that body an extra legislative power which is subject to none of the controls governing investigations conducted by other arms of the Government. It would be unthinkable for a man under investigation by legal authorities, whether it be the FBI or a local police force, to be accused of a crime and refused the opportunity to answer the accusation. That tyrannical abuse of law is a characteristic of nazism and is vigorously rejected by democratic thought. A man under investigation by the Congress for so serious a crime as un-American activities may be entirely at the mercy of the whim, or of the demands of political expediency, of the Congressmen by whom he may be interrogated.

To correct this legal anomaly, the bill I have introduced in the House sets up rules of procedure which will protect the rights of persons under congressional investigation.

I am enclosing a copy of the bill for your study and would very much appreciate your sending me your comments on it.

Sincerely,

FRANK E. HOOK,
Member of Congress.

Mr. JENSEN. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I hope the gentleman from Michigan will desist, because I want to yield to a few other Members.

Mr. JENSEN. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Iowa.

Mr. JENSEN. I would just like to ask the gentleman from Michigan [Mr. HOOK], if he thinks, in the event his resolution is adopted, that it will insure a socialistic form of government in this country like they have now in England?

Mr. HOOK. It certainly will not. That is another one of those red herrings, and I am satisfied that the adoption of this resolution will bring about fair play and honesty——

Mr. RANKIN. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. RANKIN. There are other Members who want to attack the Committee on Un-American Activities who have already written their speeches and given them out to the press. I submit they have a right to be heard.

Mr. CELLER. Mr. Speaker, I yield to the gentleman from Washington [Mr. DE LACY]. The Member from Mississippi is becoming solicitous. That is strange.

Mr. DE LACY. Mr. Speaker, the gentleman from New York has made a very able statement of some of the general issues involved in this discussion today. I would like to discuss some aspects of the freedom of the air.

When the House Committee on Un-American Activities requested the scripts of certain American radio commentators——

Mr. RANKIN. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. RANKIN. A Member who has the floor has to get unanimous consent to read. Now they can all read that stuff in the papers tomorrow. I read it this morning. I make the point of order that he has no right to get up here and read that stuff and take up the time of the Congress without unanimous consent.

The SPEAKER. If anybody objects to the reading, the question can be put to the House, and the House can decide.

Mr. RANKIN. I object to its reading. It has all been distributed and everybody is familiar with it.

The SPEAKER. The question is, Shall the gentleman from Washington be permitted to read the statement?

The question was taken; and the Speaker announced that the ayes had it.

The SPEAKER. The gentleman from Washington may proceed.

Mr. DE LACY. I want to thank the Members of the House for their consideration, and I should like to say to the gentleman from Mississippi that I could almost make a speech direct on the subject without a prepared statement. However, in the interest of accuracy and with proper qualifications of my opinions I wanted to reduce it to writing.

According to the Washington Post of March 21, 1944, Chairman Dies disagreed with the opinions of Walter Winchell. He therefore decided, and I quote, "to investigate this matter on the ground that it is distinctly un-American."

Mr. Dies convicted Walter Winchell of differing from him. That was proof, of course, that Winchell was a Communist.

Recently the Columbia Broadcasting Co. was requested to provide the House Committee on Un-American Activities with the script of the impromptu "Take It or Leave It" program, featuring Phil Baker, for September 30. This is a question and answer program. It has no script.

What $64 question do you suppose it was which drew the attention of the Rank'n committee?

Phil Baker asked what sort of unity was good for the American people. A Mr. LaValle, said to have represented a Council for American Unity, answered that unity among all the people of America, of people of different races and different national origins, was good for America. He answered that advocating the Fascist theory of racial supremacy was bad for America.

I do not have his exact words and am not trying to quote him, but if his thought was monitored correctly, he was speaking as our forefathers spoke in the Declaration of Independence. He was setting forth the basic American teaching of the equal rights of citizens of this Nation, without regard to whether they are Negroes or Jews or Catholics or Protestants or Italian-Americans or Scandinavian-Americans or Irish-Americans.

Yet for this reason, apparently, for there is no other basic idea in Mr. Baker's $64 program for that particular Sunday, the request made in the name of a congressional committee goes to the Columbia Broadcasting System asking for Mr. Baker's script for review.

What Walter Winchell said in 1944 of Dies' effort to subpena his radio scripts then, can be said today with equal vigor:

> Every citizen of the United States of America has the right of free speech. Any newspaperman worth his salt regards it as his duty. I believe that absolute independence and absolute integrity mean the same thing.
>
> The Constitution of the United States not only provides for the three great arms of Government. The Constitution's heart is that it limits the powers of that Government. And its soul—its Bill of Rights—is that it protects the citizen who disagrees with the men who run that very Government it establishes.

The Rankin committee may tell us that it has not yet raised its voice against Raymond Gram Swing, or Cecil Brown, or Johannes Steele, or Walter Winchell. The committee has done much more than that. Every newspaper knows that the comments of these radio analysts, with the exception of Winchell, have been requested for review by the committee. That is the smear and fear method for which Martin Dies became notorious. That was how Hitler made his beginning.

The House Committee on Un-American Activities is not investigating the great pressure campaign which Father Coughlin's Fascist mobsters are putting on to get some of these same commentators off the air. It is not investigating the native Fascist ravings of the notorious labor baiter, Jew baiter, Red baiter, and Negro baiter, Gerald L. K. Smith.

The Rankin committee, on the contrary, is directing its efforts against some of the same commentators whom the Christian Fronters and the followers of Gerald Smith are out to get.

The Rankin committee is setting itself up as a congressional radio-thought police. Here is how the smear-fear technique works: Simply asking the radio stations for radio scripts spreads fear. Advising the press of the request spreads the smear.

The commentators whose scripts are sent for are plainly warned that they are under Government surveillance, that their thoughts are under House arrest, that in the future they must carefully lean toward the thoughts of those controlling the Un-American Activities Committee.

The radio stations and the sponsors of programs, who are in business to make money, are thus put on warning that if they wish to stay out of the center of a smear controversy, they had better get other commentators.

Free speech on the air was thus to be suppressed, not by smashing in people's heads or kidnaping them in the middle of the night into concentration camps, or even lynching them, as is still done in some parts of our country, but by the "gentlemanly" method of pressuring those who dared to differ out of their jobs.

This is not Germany or Japan. This is America. Mr. Speaker, this committee cannot be corrected—it should be abolished.

Mr. KUNKEL. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

Mr. KUNKEL. Does the gentleman feel that the requirement of the Federal Communications Commission that scripts be submitted to the radio stations and preserved by the radio stations is an interference with free speech in America?

Mr. CELLER. No; I do not think that is an interference. Nobody has complained about merely the submission of scripts to the radio stations.

Mr. THOMAS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from New Jersey.

Mr. THOMAS of New Jersey. Did the gentleman from New York a few minutes ago say we should investigate a man by the name of LaValle?

Mr. CELLER. I did not mention that name.

Mr. THOMAS of New Jersey. I thought the gentleman mentioned the name of LaValle.

Mr. CELLER. I did not.

Mr. DOYLE. Mr. Speaker, will the gentleman yield?

Mr. CELLER. I yield.

Mr. DOYLE. Mr. Speaker, I thought it might be appropriate at this time to read a very brief biography of some of the Americans whose scripts have been

requested by the committee. Of course, if it be not true that the scripts of these distinguished gentlemen have been requested by the members of the committee, the committee is here and they can so state. I am reading this on the basis that the scripts have been requested by the committee. The biographies are as follows:

BRIEF BIOGRAPHY OF COMMENTATORS

Raymond Gram Swing: Raymond Swing is a Congregationalist minister's son, educated at Oberlin. With 21 years' experience as a foreign correspondent in England, France, and Germany, he is also possessed of a ripe knowledge of languages, history, world politics, and modern diplomacy. He is neither firebrand nor evangelist, and is described by Variety as a middle-of-the-road liberal. His background includes editorial work which includes the Wall Street Journal and the Nation. After a period with the BBC in 1934, Swing began to make occasional broadcasts on foreign affairs for CBS and in 1936 went with Mutual.

Johannes Steele: Steele is an American citizen of international experience, having been newspaper correspondent for various papers in Europe, Russia, China, Japan, India, and South America. In 1933 he lectured throughout the United States under the auspices of the United States Commissioner of Education and many public and educational bodies. From 1934 to 1937 he was with the New York Post and Philadelphia Record as foreign editor and chief of their European bureau in Paris. Described by Variety as independently liberal and preeminently qualified he is the author of a number of best sellers, including Hitler as Frankenstein, The Truth About Munich, Men Behind the War, and The Future of Europe.

Cecil Brown (pronounced sess-ill): Brown, winner of the 1941 Peabody award, has a background of newspaper experience which includes service with the United Press, Pittsburgh Press, New York American, and Hearst's International News Service in Paris. He made journalistic history when he reported the sinking of the *Repulse*. Described by Variety as both eminently qualified and a middle-of-the-road liberal, he was fired from the Columbia Broadcasting Co. in 1943 for broadcasting what was termed "nothing but an editorial." His friends say that his continued reference to Ambassador Davis' Mission to Moscow brought the action of CBS. Now he is with Mutual, where he still maintains his independent status.

William Gailmor: Gailmor, a former highly successful orthodox rabbi, traveled extensively in the Middle East and was newspaper correspondent for years in that section. A successful lecturer, book reviewer, and newspaper editorial worker, his last newspaper job was on the radio desk of the New York Daily News. An able news analyst, he was attacked by Westbrook Pegler because, at the time of his greatest success as a rabbi, he suffered a nervous break-down and was arrested and treated for a year at a sanitarium because he had rented a car and driven it at a high speed for days in a state of near nervous collapse. Recovering fully from the break-down, Gailmor began his long newspaper and radio career.

Hans Jacob: Educated in the College Royal Francais in Berlin, in Munich University, Jacob is the author of several novels written from 1918 to 1933 and translated nearly 60 volumes of classics. An official interpreter of the Republican Government of Germany from 1927 to 1933, he served in all League of Nations Assemblies and at all international conferences of the time, including the First and Second Conferences of The Hague, the Geneva Disarmament Conference, and the World Economic Conferences.

From 1933 to 1940, he lived in Paris, France, and became translater for the French Government in 1936 and director of broadcasts in the German language. He escaped from unoccupied France after the fall of France and came to the United States in 1940, a scholar and an advocate of democracy, filled with the terror of Hitlerism. He first broadcast in the German language from Boston and became an English-language commentator in October 1941, bringing his long experience to bear upon the news of the day.

I have not read the document here but have just referred to it using it as notes. Sitting here in the House a minute or two ago, I took the liberty of writing down an extemporaneous definition, which I sort of like myself, of a radical. I want to call it to the attention of my colleagues in the House for whatever it may be worth. This is my extemporaneous definition of a radical: "A radical is one who differs with us to such an extent that we ourselves become radical and intolerant of the opinions of that other radical."

Mr. CELLER. In conclusion, I wish to state there is a great deal of constructive work for this committee to do in weeding out subversive activities, but the committee should not cry out against one "ism" to the exclusion of others. It must not focus its attention only upon Communists and overlook the Fascist and Nazi dangers, and vice versa. We have as much to fear from one "ism" as from the other.

The new committee dare not withhold its fire against the many anti-Catholic, anti-Semitic, anti-Union, anti-Negro propaganda groups, and especially those bigots who peddle the anti-religious and anti-racial poison under the false label of "constitutional" and "good" government.

Mr. Speaker, I yield back the balance of my time.

Mr. RANKIN. Mr. Speaker, I have made arrangements with the two gentlemen who have time ahead of me to allow me to proceed at this time.

The SPEAKER. Under previous order of the House, the gentleman from Rhode Island [Mr. FOGARTY] is recognized for 20 minutes.

Mr. RANKIN. The gentleman from Rhode Island agreed to give way to me.

Mr. FOGARTY. The gentleman from Mississippi spoke to me earlier this afternoon and I consented to moving his time up and I am to follow him.

The SPEAKER. The gentleman from Mississippi is recognized for 30 minutes.

Mr. MARCANTONIO. Mr. Speaker, I ask unanimous consent that immediately following the gentleman from Mississippi, I may address the House for 20 minutes.

The SPEAKER. Does the gentleman from Rhode Island [Mr. FOGARTY] desire to proceed later?

Mr. FOGARTY. Yes, Mr. Speaker.

The SPEAKER. What was the request of the gentleman from New York?

Mr. MARCANTONIO. I ask unanimous consent that following the gentleman from Mississippi, I may be permitted to address the House for 20 minutes.

The SPEAKER. With the consent of the gentleman from Rhode Island [Mr. FOGARTY], without objection it is so ordered.

There was no objection.

The SPEAKER. The gentleman from Mississippi [Mr. RANKIN] is recognized for 30 minutes.

COMMITTEE ON UN-AMERICAN ACTIVITIES

Mr. RANKIN. Mr. Speaker, we have just witnessed one of the most ridiculous performances that has taken place in this House since I have been in Congress. These unjustified attacks on the Committee on Un-American Activities, these smear attacks on the Daughters of the American Revolution by the Jewish gentleman from New York [Mr. CELLER], have been shocking indeed, to say the least of it.

Mr. CELLER. Mr. Speaker, I make the point of order that the gentleman is out of order when he refers to me as "the Jewish gentleman from New York." I ask that the words be taken down.

The SPEAKER. If the gentleman will allow the Chair, there is one way to refer to a Member of the House of Representatives and that is, "the gentleman from" the State from which he comes. Any other appellation is a violation of the rules.

Mr. RANKIN. Mr. Speaker, if he objects to being called a "Jewish gentleman" I withdraw it.

Mr. CELLER. Mr. Speaker, I ask that the words be taken down.

Mr. MARCANTONIO. I ask that those words be taken down.

Mr. RANKIN. I am withdrawing the words. I have not the time to argue such matters.

Mr. MARCANTONIO. I object to his withdrawing the words. I request that the words be taken down.

The SPEAKER. The Chair has already stated the rule with reference to the language of the gentleman from Mississippi.

Mr. MARCANTONIO. But he repeated it, sir.

Mr. RANKIN. But I withdrew it. I have something else to talk about.

Mr. MARCANTONIO. But I object to his withdrawing it.

The SPEAKER. The Chair has already ruled on the matter and that is the end of it.

The gentleman from Mississippi [Mr. RANKIN] will proceed in order.

Mr. MARCANTONIO. He repeated it despite the Speaker's ruling.

Mr. RANKIN. Mr. Speaker, it is exceedingly strange that a man presuming to arrogate to himself the prerogative of speaking for a minority group will rise on this floor and denounce the Daughters of the American Revolution, in the manner the Member from New York [Mr. CELLER] did and then raise a protest when he is even referred to as a gentleman of his race.

Mr. CELLER. Mr. Speaker, a point of order.

The SPEAKER. The gentleman will state it.

Mr. CELLER. The gentleman by inference and innuendo has simply repeated what he said at the inception of his remarks when he attempted to state that I was a Jewish gentleman. That is the second time he did it by indirection. I think the gentleman should be called to order and cautioned not to repeat that kind of language.

The SPEAKER. The gentleman refers to the gentleman, if he referred to him at all, as the member of a minority race. The Chair does not think that is a violation of the rule.

Mr. RANKIN. Mr. Speaker, a parliamentary inquiry. I wish to proceed in order. Does the Member from New York [Mr. CELLER] object to being called a Jew or does he object to being called a gentleman? What is he kicking about?

Mr. MARCANTONIO. Mr. Speaker, a point of order.

The SPEAKER. The Chair desires to make a little statement.

The Chair trusts that points of order may be properly points of order hereafter, and that a Member before he makes a point of order secures the recognition of the Chair.

The gentleman from Mississippi will proceed in order, and the Chair trusts that the gentleman from Mississippi understands what the Chair means.

Mr. RANKIN. Yes, Mr. Speaker; I think I do; I have been sufficiently informed during the last few minutes. It seems to be all right for the Member from New York to slur the Daughters of the American Revolution, and other people throughout the country with the communistic expression of Fascist. In those attacks he does not represent the better elements of the Jewish people. In fact, he never does.

I presume, Mr. Speaker, it is in order for me to refer to the Daughters of the American Revolution, whom he attacked, as "white Americans."

I am going to pay my respects to the DAR, one of the greatest organizations over which that flag ever floated. The British Empire is being attacked by him also, yet his people would not have a place to lay their heads in peace if it were not for the British Empire and the United States of America.

To whom do we owe the most—we Americans who have been attacked here today and called native Fascists? That is the line of the Communists. To whom do we owe the most, the Communists and their fellow travelers or the DAR? We owe more to the Daughters of the American Revolution and their forbears who fought and won and established the independence of this country, which these Communists want to destroy, than to any other class of people under the American flag. The DAR constitutes the finest band of Christian ladies in the world, and I resent these attacks on them.

The gentleman from—I better not call him a gentleman, he might demand that my words be taken down—the Member from New York [Mr. CELLER] who just preceded me upbraided the State of Texas. He berated the people of the State of Texas for their lawlessness, when, as a matter of fact, there is not a State in this Union where people strive harder to maintain law and order than they do in the State of Texas. There is not a State in this Union whose sons more generously poured out their blood in this war than have the people of Texas.

He attacks Martin Dies, since Mr. Dies is now out of Congress and not here to reply. If he were here it would be a different story. Nobody contends that the Dies committee did not make mistakes, but I want to tell you that it rendered a service to this country that has seldom been equaled by a committee of either House in protecting this country against un-Americar activities of all kinds.

He also attacks Robert Stripling. Mr. Stripling is now in the service. He is in the uniform of the United States Army, and it ill behooves any man to get up on the floor of this House and attack him under these circumstances.

I will not answer all of these attacks on other places. He talks about what he called "hell-fire" preachers. What an insult to the Christian ministers of this country! These Christian preachers who read the Scriptures and preach the gospel of Jesus Christ are the ones who hold high the torch of religious freedom in this country. They are fighting to save the moral and the spiritual life of America that is being undermined by these unchristian elements and they do not need any advice from the Member from New York [Mr. CELLER].

To hear him talk you would think that the white gentiles were making concerted attacks on the minority races. It is about time that misrepresentatives of these minorities that whine every time you call one of their names, stop attacking the white gentile majority in America.

He attacked the veterans' organizations. Let us see what he called one of them. He said that one of them was a "native Fascist" veterans' organization. Do you think any veterans in this war who fought the Germans are Fascists? That is just a Communist smear expression that they use toward white gentile Americans who are not Communists and have no Communist inclinations.

One fellow asked: "Who controls the air?"

We do not want anybody to control the air or use air waves to spread treason or to libel helpless men and women.

I will not attempt to reply to the attacks made on the National Association of Manufacturers. I thought they had as much right on the air as did anybody else, so long as they do not abuse it.

But I do want to speak a moment about this freedom of the air and to say that we have not subpenaed all these scripts. We merely asked for them, which we had a right to do. Do you know the reason we called for those scripts? Some of those scripts ought not to be drummed into the ears of the American people. The gentleman talked about Johannes Steele. Johannes Steele is a Communist. He is said to be drawing pay from somebody who is not in sympathy with American institutions. I do not hesitate to say that as far as I am concerned he may expect investigation. We are not going to permit him to spread his subversive propaganda without a protest that both he and the network will understand.

The air is not free for everybody to smear, malign, slander, and libel people all over the country.

Mr. COFFEE. Mr. Speaker, will the gentleman yield?

Mr. RANKIN. I will, for a question.

Mr. COFFEE. Did the gentleman ever hear Upton Close on the air?

Mr. RANKIN. Yes; before these subversive elements succeeded in driving him off the air.

Mr. COFFEE. That is all I have to ask.

Mr. RANKIN. I have heard Upton Close on the air, and I hope to hear him again.

Mr. COFFEE. I do not object to his talking. My point is that all of them should be accorded equal latitude in what they say on the air without intimidation.

Mr. RANKIN. All right, do you believe a man has the right to go on the air and malign and libel you?

Mr. COFFEE. If the gentleman will permit me to answer, I will.

Mr. RANKIN. Yes; I will permit the gentleman.

Mr. COFFEE. The gentleman and I are old friends. We may differ on political views, but I am sure we can remain cordial.

Mr. RANKIN. We will remain cordial. This is not a personal matter with me.

Mr. COFFEE. I do not countenance anyone lying about anyone else on the air, but under the civil laws of both the Federal and State governments the person adversely affected has his remedy.

Mr. RANKIN. They do not have sufficient remedies now; but they will have if Congress does its duty. The Committee on Un-American Activities is interested in one thing and that is in protecting the safety and welfare of the American people. Whenever things go over the air that are dangerous to that safety or welfare, we are going to investigate them.

Let me give you one illustration, and then I am going to pass on. I had a letter the other day from a detective in London, England, who is affiliated with Scotland Yard. He called attention to the fact—and I want you Hollywood defenders to hear this—that during this war, and especially during the time of the nonaggression pact between Russia and Germany, there were coded German messages going through the moving pictures that were shown all over England, and some of them were made in Hollywood, Calif. He said he decoded some of those messages and brought them to the attention of Scotland Yard. Those messages told just when air raids would take place against certain cities or towns. He said they came just as foretold in those coded messages; but by then all the spies and their sympathizers had been warned to seek cover.

The same thing has been done in some radio scripts. So far as I am concerned, I did not ask for those scripts to be sent in, but I have no apology for it. Whenever it is necessary in order to protect the American people we are going to check up on them. Who knows what lies ahead of us?

Mr. PATTERSON. Mr. Speaker, will the gentleman yield?

Mr. RANKIN. I yield for a question.

Mr. PATTERSON. Does the gentleman mean to tell me that he and his committee are going to take the responsibility of riding herd upon the thought of our people over the radio?

Mr. RANKIN. No, but we are going to do our best to see that the American people are protected.

Mr. SHAFER. Mr. Speaker, will the gentleman yield?

Mr. RANKIN. I yield to the gentleman from Michigan.

Mr. SHAFER. The gentleman from Washington mentioned the name of Upton Close, and asked if the gentleman had heard him over the radio. I think that to keep the record straight it should be shown here that Upton Close has been taken off the airways.

Mr. RANKIN. Yes.

Mr. SHAFER. He has been off the airways for weeks, because certain groups brought pressure on the Lumbermen's Mutual to take him off the air.

Mr. RANKIN. That is correct.

This man Gailmor has been taken off the air because of his Communist leanings.

His sponsors took him off the air.

I got this letter today and I am going to read it. It is typical of the floods of messages that are coming in from all over the country. I never saw this man in my life. His name is Charles H. Schwab II, and he lives in Chicago:

Hon. JOHN RANKIN,
House of Representatives,
Washington, D. C.

HONORABLE SIR: Having served our country in both World War I and World War II, I believe that I have demonstrated my desire to uphold and preserve our form of Government.

It is with this same desire that I am writing to thank you for your very fine stand on American principles and righteous American activities.

It is high time that we had more men of your type in Washington to defend the rights of the American people against the unrighteous demands of various minorities, and unless we have men of your type, the very principles we have fought so dearly for will be lost and our country will be ruled by labor racketeers and unprincipled minority groups who are not even Americans.

Assuring you of my wholehearted support and thanking you for your fine activities, I am,

Respectfully yours,
CHARLES H. SCHWAB II.

I suppose it will be said that he is an economic royalist.

The Communist program is to destroy our way of life, it is to destroy our form of government. Take the statements I put in the RECORD on yesterday and read them carefully and you will see that communism is nothing in God's world but syndicalism in disguise. It is the old syndicalist drive to break down and destroy American institutions. When they speak of capitalists, they do not mean just the rich or the well-to-do, they mean the man who owns a home, the man who owns a farm, the man who owns a store or a factory. They would take over everything, if you please, from the steel plants to the dairy farms, and the people would then be subjected to a system of slavery that is revolting to liberty-loving peoples throughout the world.

There is no liberty, there is no personal freedom in a Communist country.

These are the things we are guarding against. American institutions, American liberty, and the American way of life must be preserved

I agree with the President most heartily on one thing, and that is that we must have the strongest Navy in the world, we must have the strongest Air Force in the world, we must retain, as he called it, the know-how of making the atomic bomb, in order that we may protect American institutions at home, and lead the world into a more glorious civilization.

I want to say a word now about this Committee on Un-American Activities. We have been very careful, our investigators have been very careful. We have examined those witnesses that we thought had information that would help us to expose those activities that are detrimental to this country. We are not witch hunting, we are not out trying to smear anyone. Our primary object is to keep that flag flying over a free government, over a free America.

Personally, I resent any man taking this floor and casting slurs at the Daughters of the American Revolution or the Disabled American Veterans, who have just adopted a resolution endorsing the Committee on Un-American Activities; or the American Legion, one of the most patriotic organizations in America, which is on record as supporting the Committee on Un-American Activities; or the Veterans of Foreign Wars, another great and powerful American organization which is on record as backing up the Committee on Un-American Activities.

Mr. Speaker, I am willing to answer any questions concerning the Committee on Un-American Activities. It is your committee; it is doing good work; and it is here to stay.

This little group that is attacking us does not stand any more chance to abolish the Committee on Un-American Activities under present circumstances than the proverbial elephant did of hanging to a horizontal bar by his eyebrows.

You are just wasting your time. We are here to serve the American people and, as I said, the committee is here to stay.

I helped to create this committee. I did it because of the dangerous situation which exists throughout the world. I did it because we wanted to be sure that America would be protected against enemies at home while our young men were fighting to defend her against her enemies abroad.

We know that throughout the length and breadth of the land there are men posing as Americans and hissing the word "Fascists" at real American patriots, such as the DAR, and who down in their hearts would like to see this Republic destroyed.

God grant that in my day at least that curtain may never rise.

As Daniel Webster once said, "When my eyes shall turn to behold for the last time the sun in heaven," may they not see him shining upon a communistic, socialistic, or degraded nation. But may they see him shining upon a glorious republic made great by those men who fathered the Daughters of the American Revolution; by those men who have fought the battles of this Nation in times of war and sustained its institutions in times of peace.

We are striving to save America for Americans.

God give us the strength to succeed.

The SPEAKER. Under previous order of the House, the gentleman from New York [Mr. MARCANTONIO] is recognized for 20 minutes.

FREEDOM OF THE AIR

Mr. MARCANTONIO. Mr. Speaker, it is not my desire to enter into a personal controversy with the gentleman from Mississippi. The issue raised this afternoon on the floor of this House is by far much more important than either the gentleman from Mississippi or me. In fact, it is much more important than any individual who is a Member of this House. The issue involved in the discussion this afternoon, in my opinion, goes to the very root of the most important question before the Nation, the preservation and extension of democratic rights in the United States.

If democratic rights are infringed in the slightest degree, then you may rest assured that that infringement will lead us along the path that was followed in Hitler's Germany and in Mussolini's Italy. We will be following the path of fascism.

I agree, America is in danger. America is in danger from those who would suppress freedom of thought and freedom of expression. Our country has been based on the proposition that men and women irrespective of race, color, or creed can express themselves freely and take their consequences in the courts for any injury that results. Once we deviate from that proposition, then we are playing into the hands of those who would impose on these United States a domestic Fascist state.

Before I continue to develop this thought I want to mention the fact that the quarrel that some of us have with regard to the use of Constitution Hall is not with the Daughters of the American Revolution as an organization. Our quarrel is with those people within that organization who have been condemned by thousands of members of the Daughters of the American Revolution hundreds of times within the last few weeks. Our quarrel is with those members within that organization who are negating the best traditions of the American Revolution. I do not think it is necessary for me to give this House any history, but I think it is worth while repeating that 1,000 Negroes fought with George Washington, and they fought side by side with the fathers of the American Revolution. I believe that the mothers of the American Revolution would not have proscribed any Negro from the use of halls in the fighting days of the American Revolution.

So there is no attempt to smear the Daughters of the American Revolution involved here; nor is there any attempt to throw stones at any patriotic organization, but I do say that we have a right, every American has a right, every American who believes in the fundamental precepts of the Declaration of Independence, has a right to take to task those individuals within the organization

known as the Daughters of the American Revolution who deny to a talented artist, not only today but 7 years ago also, and who profess an intent to continue to deny to talented people the use of Constitution Hall because of their color. If there is anything un-American, I say that that practice is contrary to fundamental Americanism, it is un-American, and you cannot get away from it.

I am sure that the mothers of the American Revolution, if they were alive today, would join us in protest against this un-American practice. They would firmly put a stop to this un-American practice, a practice contrary to the Amercianism that every school child knows, fundamental Americanism; Americanism of the Declaration of Independence.

May I remind the gentleman from Mississippi, that in that Declaration it was said that all men are created equal. When they said that all men are created equal, they did not say, "All men are created equal except Negroes." They did not say, "All men are created equal except Jews." They did not say, "All men are created equal except Catholics." They did not say, "All men are created equal except Protestants." They placed no exception in that Declaration of Independence. They placed no exception in it, and anyone who attempts to place an exception in that document should be investigated by the Committee on un-American Activities.

Now, let us get down to this business of protecting the best welfare of America.

This Committee on Un-American Activities is determined to do what? Protect the welfare of America—the words of the gentleman from Mississippi. Let us see what he wants to protect America from. He has a perfect right to have his views on these things that I am going to mention, but let us see whether or not he has a right to prevent others from expressing views contrary to his on these particular issues. Let us see if he has a right to investigate or subpoena, as un-Americans, those who disagree with his views. I have heard the gentleman from Mississippi say that the FEPC is Communistic. You have heard him, you have heard him during the FEPC debate on the floor of the House. That is a standard that the gentleman sets. That gives you an idea of what the gentleman believes to be Communistic and from what he wants to protect America. Let us follow that a step further. If that be Communistic, as the gentleman professes it to be, then the gentleman arrogates unto himself the right to investigate as un-American any person who advocates the enactment of FEPC legislation. In this category you must place both President Roosevelt and President Truman. Both have recommended this legislation. Communistic FEPC. It was so Communistic that it was placed in the platform of the Republican Party, although that seems to have been forgotten by many Republicans here during the last 9 months. Let us go a step further.

The gentleman has denounced anti-poll tax legislation as Communistic. You have heard him and I have heard him. According to the gentleman, therefore, anybody who advocates anti-poll tax legislation should be investigated for un-American activities. So do you not see what we have done here? We have set up the gentleman from Mississippi as the person who sets the standards as to what is American and what is un-American; and radio commentators will be subjected to having their scripts examined or subpenaed before the committee for investigation dependent on what? Dependent on the standard of American or un-American which the gentleman from Mississippi has set up.

Now, let us have some common sense about this business, Mr. Speaker. Do you want to wave the red-baiting flag on the floor of this House? Go ahead. Do you want to bait labor? Go ahead; that we can fight, that we can argue and debate here. But do you want to place Congress in the position where Congress through the gentleman from Mississippi will judge what is American by his standards? Do we want to do that? That is the fundamental issue involved here. Do we want to permit the gentleman's standards to be the yardstick, the measure, the scale by which a person's activities shall be judged as either American or un-American? That is a serious proposition that I throw forth to the membership. You must not dodge that issue. If this committee continues to hale radio commentators before the committee or to send for their scripts on the basis of what the gentleman believes to be American or un-American do you not see what a plight this Congress has been thrown into?

Now, Mr. Speaker, let us get down to this Communist business.

Mr. CELLER. Mr. Speaker, will the gentleman yield?

Mr. MARCANTONIO. I yield to the gentleman from New York.

Mr. CELLER. I wish to state to the Members of the House that I am proud of my ancestry and of my faith that can compare in dignity and honor with any ancestry, with any faith. Remember that the Scriptures which the gentleman from Mississippi often quotes is of Jewish origin. And I remind the Member from Mississippi——

Mr. RANKIN. Mr. Speaker, a parliamentary inquiry. Has the gentleman the right to use the word "Jewish" according to his own point of order?

Mr. CELLER. And at Philadelphia, if he will go to Philadelphia he will see the Liberty bell. Inscribed on the rim of that Liberty bell is the voice of Leviticus, taken from the Jewish Scriptures, which says: "Proclaim liberty throughout the land to all the inhabitants thereof."

The voice of Leviticus did not say: "Proclaim liberty throughout the land." It said, "Proclaim liberty to all the inhabitants of the land."

Mr. Speaker, my faith is older than that of the Member from Mississippi. As for being a gentleman I need no defense. That may not be said for the Member from Mississippi. I resent his smears of innuendo.

Mr. RANKIN. Mr. Speaker, I demand that those words be taken down. He accuses me of "racialism." There is not a man in this House who raises the race question more often than does the gentleman.

Mr. CELLER. Mr. Speaker, I withdraw those words.

Mr. MARCANTONIO. Mr. Speaker, I cannot yield further.

Mr. Speaker, I do not believe that the Jewish people or any other people need any defense from any attacks that are made here. In referring to any Member of this House as a "Jewish gentleman" there is only one inference. Let us be realistic. It is the practice of advocates of racism to mention one's race for the purpose of arousing discrimination and hate against that person particularly if his race be that of a minority. When you single out a person by his race, color, or creed, particularly when you are engaged on opposite side of debate from him, you are not doing that for the purpose of merely pointing out that the gentleman's race happens to be Jewish or that the gentleman happens to be a Negro. Oh, no. You are baiting the gentleman. You are baiting him because of his race or because of his color or because of his creed. You are seeking to subject him to either discrimination or hate. I want to serve notice that as far as I am concerned, when I am here I shall raise a point of order on all occasions when any Member's race is made reference to, or when anyone is referred to as the "Jewish gentleman" or as the "Negro gentleman." The injecting of race, color, or creed, in my opinion, is not only dangerous but it is subversive of orderly process in this House. It is not only in violation of the rules of this House, but in my considered judgment it is subversive of that kind of Americanism that was expounded by men of all races, yes, Jews, Gentiles, Catholics, Protestants, and Negroes, who defended this country in war. Their different races did not divide them. They were united on the battlefield in defending this country. No man on the battlefield turned around and referred to his buddy as the Jewish member of the Fifth Battalion or the Negro member of the Sixth Regiment. No; they were united by their blood. They shed it together and they intend to live together and drive out for America all and any form of racism.

Mr. HOFFMAN. Mr. Speaker, will the gentleman yield?

Mr. MARCANTONIO. No. I decline to yield to the gentleman. This Jew and Negro baiting has to stop in this House.

Mr. HOFFMAN. Mr. Speaker, I make a point of order a quorum is not present.

Mr. MARCANTONIO. All right, go ahead and do it. I will do the same to you, Mister.

Mr. HOFFMAN. That is all right with me.

The SPEAKER. All debate will cease.

CALL OF THE HOUSE

The SPEAKER. The gentleman from Michigan makes the point of order a quorum is not present. Obviously a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 176]

Allen, Ill.	Fulton	Norton
Anderson, Calif.	Gamble	O'Konski
Andrews, N. Y.	Gardner	O'Toole
Auchincloss	Gathings	Outland
Baldwin, Md.	Gifford	Peterson, Ga.
Baldwin, N. Y.	Gossett	Pfeifer
Barden	Green	Philbin
Barrett, Pa.	Griffiths	Ploeser
Barry	Gwinn, N. Y.	Poage
Bates, Ky.	Hagen	Quinn, N. Y.
Bell	Hall,	Rains
Bland	Leonard W.	Ramey
Bolton	Harris	Randolph
Boren	Hart	Rayfiel
Bradley, Pa.	Hartley	Rees, Kans.
Brehm	Hays	Rich
Buckley	Hébert	Rivers
Buffett	Heffernan	Robinson, Utah
Bulwinkle	Herter	Robsion, Ky.
Bunker	Hill	Roe, N. Y.
Burch	Hoch	Rogers, Fla.
Burgin	Hope	Rogers, N. Y.
Butler	Horan	Rooney
Byrne, N. Y.	Jarman	Russell
Byrnes, Wis.	Jennings	Sabath
Campbell	Johnson,	Sadowski
Cannon, Fla.	Lyndon B.	Sheridan
Chiperfield	Jones	Short
Clark	Kee	Simpson, Pa.
Cole, Kans.	Keefe	Smith, Va.
Cravens	Keogh	Starkey
Crawford	Kilburn	Stewart
Cunningham	King	Stigler
Curley	Kinzer	Tarver
Dawson	Knutson	Thomas, N. J.
Delaney,	Landis	Thomas, Tex.
James J.	Lane	Thomason
Delaney,	Lea	Torrens
John J.	Lesinski	Towe
Dickstein	Lynch	Traynor
Dingell	McConnell	Trimble
Dirksen	McGlinchey	Vinson
Domengeaux	McKenzie	Vursell
Douglas, Calif.	McMillen, Ill.	Wadsworth
Douglas, Ill.	Madden	Weiss
Drewry	Maloney	Welch
Eaton	Mansfield, Tex.	West
Eberharter	May	White
Fernandez	Mills	Winter
Flannagan	Morrison	Wolfenden, Pa.
Forand	Mott	Woodrum, Va.
Fuller	Murphy	Zimmerman

The SPEAKER. On this roll call 278 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

The SPEAKER. The gentleman from New York [Mr. MARCANTONIO] may proceed.

Mr. MARCANTONIO. Mr. Speaker, at the time the point of no quorum was made I was discussing the significance of referring to a Member or a person by his race, his color, or his creed. I contend, and seriously do so, that that is fascism; and let us see whether I am right or wrong; let us see what happened in Germany. First, the Jews were referred to as "Jewish members of the Reichstag," or "Jewish judges," or "Jewish merchants." What followed? Then the word "Jew" was written over the store windows of these people. After that it was written on their doors where they lived, and later on it was written on their clothing when they were placed in concentration camps. So the use of the word "Jewish" is not resented because people of Jewish origin are ashamed of it. Oh, no; they have all the right in the world to be proud of belonging to that race, particularly as Americans they have a right to be proud of the tremendous contribution they have made to the history of this Nation and most recently to the winning of the war; but the resentment that comes not only from people of the Jewish race but from everyone who believes in democracy and who is opposed to fascism is because the history of the word "Jewish" in reference to an individual, singling him out because of his race, his color, or his creed, has been proven to be fascism where it has happened—and let us pray to God that it will not happen here. The same applies to communism, red-baiting; it is the same pattern followed by Hitler, the same pattern followed by Mussolini, the singling out of a person with whom one violently disagrees as a Communist, red-baiting him, red-baiting labor when it asks for a decent wage, or red-baiting a group of veterans when they ask for their rights as veterans, or red-baiting any individual who joins with other individuals for the purpose of guaranteeing to himself or his group or his organization the democratic rights guaranteed under the Constitution. That red-baiting was the technique used in the destruction of democracy by the Nazi front in Germany and the Fascist squadristi in Italy.

I do hope for the sake of a united America that it will never again become necessary on the floor of this House to engage in a discussion which I could not avoid this afternoon. I would have been remiss in my duty to my country had I remained silent. All I can say to those red-baiters, Jew-baiters, Negro-baiters, labor-baiters, all I can say to those who are preaching the subversive doctrine of race hatred in America whether they do it openly or subtly, whether they do it in Congress or out of Congress, whether they do it by implication and innuendo or by overt advocacy, all I can say to those who have deserted the faith of democracy is what a most revered cardinal once said: "Have pity, O Lord, on the Christian who doubts, on the skeptic who desires to believe, on the convict of life who sets sail alone on the high seas no longer lit by the consoling beacons of an ancient faith."

EXTENSION OF REMARKS

Mr. SAVAGE. Mr. Speaker, I ask unanimous consent that my colleague from California [Mrs. DOUGLAS] may be permitted to extend her remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Washington?

There was no objection.

Mrs. DOUGLAS of California. Mr. Speaker, I would like to impress on my colleagues here, that my understanding of our Constitution does not permit the powers which the Committee on Un-American Activities has assumed. No men are pure and unbiased enough to have this immense power to discredit, accuse and denounce which this committee wields. Men naturally let their prejudices enter into the picture. All sides of a question must be weighed carefully by those who must determine things as basic as another man's loyalty to his country. When a man is asked to appear before the Un-American Activities Committee, his reputation is lessened, simply by the connotation implied in the committee's name. It is un-American in itself to be condemned in the press or before the public without trial or hearing. The constitutionally guaranteed protection of the American courts is laughed at by such procedure. It is a gross injury to those who are thus impugned.

Freedom of thought is the most basic of our liberties. No man can deny another the right to think as he pleases. The Japanese thought-control system operated against the very foundation upon which our democracy is founded. If a congressional committee is allowed to dictate what a man may say by frightening and intimidating the sponsors of liberal radio commentators so as to cause their removal from the air ways, it, too, strikes at the very foundation of our democracy.

Our democracy will continue to be healthy and strong so long as it adheres to the principles upon which it was founded—the principles which have carried us so far. If there are any un-American activities in this country, and there have been some as exampled by the sedition trials, the proper authorities to investigate and prosecute are the FBI and the Justice Department which are set up to handle cases under the due process of law.

PERMISSION TO ADDRESS THE HOUSE.

Mr. McDONOUGH. Mr. Speaker, I ask unanimous consent that on Monday next after disposition of matters on the Speaker's table and at the conclusion of any special orders heretofore entered I may be permitted to address the House for 20 minutes.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

EXTENSION OF REMARKS

Mr. HOOK asked and was given permission to include in his remarks made earlier in the day copy of H. R. 1834 and a statement made by himself at the time of the introduction of that bill.

Mr. KEFAUVER asked and was given permission to extend his remarks in the RECORD and include an editorial from the Nashville Tennesseean.

The SPEAKER. Under previous order of the House, the gentleman from Rhode Island [Mr. FOGARTY] is recognized for 20 minutes.

SPECIAL ORDER

Mr. FOGARTY. Mr. Speaker, I would like to say just a few words to you in behalf of private enterprise. The capitalist system which fosters private enterprise has done great things for our country—and through contributing to the greatness of America, private enterprise has done great things for all the world.

Our system has been called on twice within our memories to perform superhuman efforts in producing, overnight as it were, the sinews of war. Our system started from behind scratch in both cases—and in both cases turned out a job that was the amazement of the civilized world. It is impossible to overlook that performance record in any discussion of the economic or industrial life of our country.

It is our firm purpose that the system shall be preserved and encouraged. Frequently the friends of labor, in whose

ranks I am proud to stand, are accused of enmity toward the principle of private enterprise. This is a deliberate untruth and is a scare cry used to hide from public view the legitimate aims of labor unions. The unions are among the foremost of the champions of private enterprise. For generations organized labor has fought for the right to bargain collectively through representations of their own choosing. They have won that right. They know they cannot enjoy fully the privileges of collective bargaining under a State-controlled system. They know their hopes for a higher standard of living lie in the success of the private enterprise system, and they champion this system for their own preservation.

As a friend, therefore, of private enterprise, I want to call attention to a danger which I think threatens the continuance of our system.

Recently in the Senate there was considered a so-called full-employment bill.

In the arguments which raged around this legislation there was positive evidence that all is not well.

The opponents of this bill seeking for any argument or excuse to nullify its effect sought to pose as the only champions of private enterprise. They sought to create the impression that all who supported the full-employment bill were the enemies of private enterprise. In the amendments which were adopted by the Senate it is evident that what good might have been accomplished by the legislation has been effectively prevented.

The legislation was proposed to prevent the recurrence of the depression through which we all suffered in the early thirties. The proponents of the legislation argued that such a catastrophe might occur again. The opponents of the bill did not deny that they held the same belief. It is taken for a fact then that the danger does exist. The bill proposed a program for effectively dealing with such danger. Its effectiveness has been thwarted and it remains for this House to restore the bill to something like its original character. If this is not done this Nation will be without a weapon to deal with economic disaster. Should the lightning strike and we are caught unprepared, the blame will be laid, rightly or wrongly, at the feet of private enterprise, at the door of the capitalistic system.

I speak, therefore, in earnest appeal to those who honestly seek to protect capitalism. I urge you to consider the risk being run. We have suffered as a people through a terrible depression. We have been regimented in our daily lives because of the necessity brought on by an all-out war. We face an era of peace and prosperity. We all admit there is danger of boom and bust again. If it happens and we are not ready to meet the test, then free enterprise, with a minimum of regulation and restriction, may witness its last day, and we may have substituted in its place a regulated economy, a prospect which many consider horrible.

The proposed full employment is not a proposal for a regulated economy. It is, pure and simple, a proposal to foster full production and full employment. It is a proposal that the National Government shall take an active part in the functioning of our economy. It is a proposal that Government, labor, agriculture, and industry shall cooperate to produce the greatest good for the greatest number.

The proposal actually contemplates assistance to private industry. Its first proposals are directed toward helping private industry and local governments to take care of all employables. It proposes that the National Government shall pursue a consistent and carefully planned economic program, which certainly would benefit private enterprise, and to this end the legislation contemplates that the best brains of the land shall be put to work in the charting of that consistent and carefully planned economic program.

Only in the event of failure on the part of private enterprise to provide full production and full employment shall the Federal Government step into the breech with a program, carefully prepared, to provide assured purchasing power for the consumers of the output of private industry. No program may be put into operation without the prior scrutiny and approval of the Congress.

Suppose we pass up this opportunity; suppose we do nothing; consider the dangers we face.

In a prosperous era business can and does assume a great deal of the leadership in our country, particularly along economic lines. Because of the failure of business and industry to meet the crisis of the early thirties, a responsible portion of that leadership was taken away. Business was subjected to new forms of regulation and control. Some of those controls, notably the Securities Exchange Commission and the Federal Deposit Insurance Corporation, have become permanent fixtures and are welcomed by all segments of our society.

Private industry is now faced with a new opportunity for leadership. Responsible leaders of industry and business know there is a social responsibility which they must discharge if they are to exercise that leadership. None of us can go our way alone today. We are all interdependent. We shall succeed together or we shall all fail.

Private industry can discharge its responsibility to the men in its factories and to the merchants, businessmen and professions who depend on that worker's income by a genuine attitude of cooperation. It will profit industry nothing to break the unions—scuttle the full-employment bill—force wages lower—if in so doing it sows the seeds of a new economic crisis. If a new depression comes, who can say what new controls will be imposed on business—who can say business will retain any of its present freedom of operation.

Consider the contrasting positions of labor and industry at the moment.

This Congress enacted legislation to guarantee industry should suffer the least possible inconvenience during the transition from war to peace. Contract termination was made equitable—funds were provided for easing the difficulties of inventory taking—transfer and storage of equipment, and so forth.

Industry faces a booming market—a pent up demand that promises a genuine boom in all branches of business and industry. The result is it knows security—it has no fear—it wishes only to rush headlong into this period neither thinking nor caring about how long it will last—or what it will cost when the bubble bursts.

On the reverse side of the picture is labor—bullied and ridiculed because of what were termed the tremendous sums it took home in wages during the war—although it is a fact that almost 50 percent of all workers were paid wages below the minimum standard provided by legislation of this body.

Prices during the war years were determined by the take-home wages of men working 54 and 60 hours a week and earning time and a half and double time to implement their regular wages. You know as well as I know that there was no great margin between prices and wages during the war. The statistics prove it is a fact that in some cases wages were far behind prices. Yet these people who must still go on maintaining a family and a home were suddenly cut back to 40 hours a week at straight time. The line about which so much has been written and spoken was not cut back and the employee faces a constantly growing danger in trying to make 30 percent less pay meet the current cost of living—with all the indications pointing to rising prices in every line—with industry and business demanding that all restrictions on prices be lifted immediately.

Where is the fairness in this situation? There is not any. Labor wants a square deal and the men at the machines in many cases refused to go on with reconversion and the erection of mountains of profits for industry until labor's just wants were provided for.

Responsible economists admitted labor's position was not only unfair but unsafe for national stability. When labor takes the only step available to it—incidentally a step provided by the Congress—in order to rectify this situation swiftly—it is met with ridicule and abuse. No serious attempt is made to acquaint the public with the justice in its cause. No attempt is made to dispose of the cause of the dispute.

After several months of wrangling over industrial disputes there is today scarcely an industrialist or economist or politician in the country who does not admit openly that labor must have an increase. Today the only argument is about how much. Does that breed confidence? Does that produce security? Is it not proper to argue that such an admission could have been made at the very outset of the reconversion period? If it had been there would have been far fewer disturbances—reconversion would have been well along the way—and the feeling of security which we all want to develop would be an actuality instead of still being in the realm of pious hopes.

So private industry has another opportunity to demonstrate its capacity for leadership, to prove it does wish to cooperate with Government, labor, and agriculture in the building of a greater and freer America.

The full-employment bill is before this House. It will soon, I hope, be out on the floor for a vote. If it is enacted without emasculation, then labor, too, will have

its promise of security. Industry will have offered its genuine cooperation and all levels of our society can face the future united.

I cannot countenance the complaint that the full-employment bill provides a regulated economy. On the contrary, it points out the way to avoid just that. If it is enacted, we shall have no need for a regulated economy. If it is not passed, or if it is passed in such form as to destroy its real purpose, then I predict industry will have lost its opportunity for leadership. I predict further that those who take over that responsibility of leadership will be those who incline toward a regulated economy. Private enterprise can make its own free choice now.

Mr. KEFAUVER. Mr. Speaker, will the gentleman yield?

Mr. FOGARTY. I yield to the gentleman from Tennessee.

Mr. KEFAUVER. I think the gentleman has made a very excellent statement on the attitude of the workingmen. I know that in his remarks he has pointed out how the unions and the workingmen have been beaten down under any system of government other than a democracy or a republic such as we have.

Mr. FOGARTY. I thank the gentleman.

The SPEAKER. Under previous order of the House, the gentleman from Maine [Mr. HALE] is recognized for 10 minutes.

THE COFFEE SITUATION

Mr. HALE. Mr. Speaker, about 3 weeks ago the Republican Congressional Food Committee issued a report on the coffee situation in which it was disclosed that OPA price ceilings are preventing the better grades of coffee from coming into this country, are accelerating a shift from coffee to cotton production in South American Nations, and are endangering our trade relations with South American countries at the very time when we should be doing everything in our power to promote good feeling and mutually beneficial trade relationships.

At that time, the committee, of which I am a member, recommended that our whole coffee-pricing policy be immediately reviewed and adjusted in order to correct these inequities and provide the American market once more with an adequate supply of good-grade coffee. Since then innumerable and apparently interminable meetings have been held here in Washington between the Office of Price Administration, the State Department, the Department of Agriculture, the Office of War Mobilization and Reconversion, and representatives of coffee-producing countries. Far from achieving results, these conferences have further increased the confusion on this subject and have resulted only in a situation described by one of the Nation's recognized food authorities as "the most fouled up mess I have seen for a long time."

In the meantime conditions in the industry have become chaotic. Small coffee roasters in every part of the country have suddenly discovered that in spite of adequate supplies of coffee in the producing countries they are unable to buy enough to keep their business going. Many of them are down now to a few weeks' supply and what they have is of inferior quality.

On the other hand, however, the big coffee roasters, the chain stores, and the large manufacturers of name brands have continued to purchase coffee through subsidiary companies in the producing areas. During September, according to a report recently released by the Department of Agriculture, coffee purchases in producing countries amounted to 958,000 bags. This is about two-thirds of the normal amount. Such a volume of purchases is surprising in view of the fact that coffee was selling in Brazil and Colombia during September for 2 to 3 cents a pound above legal ceiling prices as established by the OPA.

The answer is that these big companies have subsidiaries established in the coffee-producing countries. Through these subsidiaries they buy coffee at above ceiling prices and take whatever loss is necessary in order to maintain an adequate supply for roasting and distribution in this country. It is obviously impossible for the thousands of small coffee roasters in this country to have subsidiary companies in South America and participate in this wholesale black-market operation. Consequently, a disproportionate amount of the coffee now held in this country is in the hands of the very large roasters and the chain stores while those in the small-business category must go without it.

Not the least confusing aspect of the situation is that spokesmen for the coffee-producing countries who for more than a year have been pointing to increasing production costs and an ample supply of coffee, and requesting removal of ceiling prices, have now changed their line and ask merely that ceiling prices be increased 2 or 3 cents a pound. It is obvious that they fear an actual reduction in price if coffee is once more allowed to move on the free market and prefer an increase in the ceilings in the belief that prices will follow the ceilings and remain pegged there in spite of the laws of supply and demand. Well-informed members of the coffee industry in this country believe, on the contrary, that if ceiling prices and import restrictions are removed completely, there may be a brief, temporary flurry in prices but that the supply is so adequate prices will soon fall to present levels or below.

They point out that the coffee crop in the larger producing countries is at least normal or better this year and that because of trade restrictions and transportation difficulties there is a larger than normal carry-over from previous years' crops in those countries. Thus, the supply is more than adequate to meet the existing world demand on a free market.

They point out also that the anticipated huge demand from Europe has not materialized. Substantial quantities of coffee are being shipped to European countries from South and Central America but these are almost entirely of the higher grades—coffee that sells well above ceilings established by our OPA, while American consumers drink the lower grades. No heavy demand from Europe has materialized, however, because one of the largest coffee-using countries in Europe is Germany and Germany is in no position to buy coffee or anything else on the world market. England, Belgium, and Holland are buying less coffee from South America than anticipated because they are awaiting resumption of trade with their own colonies and holding up purchases from this hemisphere until they find out what they will be able to get from their own territories.

OPA's record on coffee has been one of confusion, arbitrary assumption of power, and resort to outright procrastination and delay when all other subterfuges failed. Shortly after the Republican congressional food-study committee reported on the tangled coffee situation the first of this month, Reconversion Director Snyder requested a report from OPA on this subject. It is understood that this report is not yet forthcoming, although OPA has members of its staff so familiar with every aspect of the coffee situation that it would seem they should have been able to submit a report as rapidly as the words themselves could have been dictated and transcribed.

But delay has not been the only OPA tactic. A few weeks ago it reached new heights of economic absurdity by assuming international authority to regulate profits. It demanded from coffee producers in South American countries records of their costs, production, and profits so that OPA could determine whether or not they were justified in asking a higher price for their product. Mr. Speaker, there is grave constitutional doubt about the authority of OPA to regulate profits in this country; it is absolutely certain the Congress of the United States never gave it the power to regulate profits in South American countries.

The combination of prices and restrictive regulations which are preventing small coffee roasters and distributors from obtaining supplies, while large companies are able to obtain the coffee they need, is an old story. It has happened over and over again in one industry after another, as OPA has dictated our wartime economy. It has happened so frequently and so consistently, that there should no longer be any doubt in anyone's mind that there is a deliberate and definite plan somewhere in the back rooms of our economic bureaucracy here in Washington to squeeze the very life out of American small business. This plan will only be alleviated, not abolished, by an increase of a few cents a pound on wholesale ceiling prices of coffee.

In view of all the factors concerned, it is obvious that the time for "review and adjustment" of our coffee importing policy is past. These policies have been reviewed continuously for more than 2 years by every Government agency concerned, and nothing has happened. It is time to put an end to these inter-agency bickerings. With the South American coffee supply more than adequate to meet our need and transportation readily available, there is no longer any excuse for OPA control of any type over this commodity. To prevent every small coffee roaster in the country from being driven into the hands of his big-time competitors, Reconversion Director Snyder should end this absurd squabble with

our South American neighbors at once by abolishing all OPA price and quota regulations on coffee.

In the opinion of those best informed on this subject, both in industry and in the Government, such a move will not result in an increase of price to the consumer but will, in fact, actually result in a saving. Under present conditions, there is little price distinction between grades of coffee purchased in the producing countries. Third- and fourth-grade coffee sells for virtually the same price as the first-grade product. Upgrading has become universal throughout the industry, from producer to retail distributor, so that American consumers are now buying third- and fourth-grade coffee at the price established for the top quality product. As soon as coffee returns to a free market, grade distinctions will once again become established, lower-priced brands will reappear, and when a consumer pays 32 cents a pound for coffee he will be getting 32-cent coffee, not coffee that should be selling for 24 or 25 cents.

The SPEAKER. The time of the gentleman from Maine has expired.

Mr. HOFFMAN. Mr. Speaker, I ask unanimous consent that the gentleman be permitted to proceed for three additional minutes.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. HOLMES of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. HALE. I yield to the gentleman from Massachusetts.

Mr. HOLMES of Massachusetts. I appreciate the remarks the gentleman has made. Is it not a fact that, because of the OPA ceiling prices, where other countries have been free to pay any price they wanted for good coffee, we have been the victims of having to take the inferior grades, and that has been going on for several years?

Mr. HALE. I believe that to be the case.

Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include a letter from a friend and an advertisement which appeared in the Tea and Coffee Trade Journal.

The SPEAKER. Is there objection to the request of the gentleman from Maine?

There was no objection.

The documents referred to are as follows:

LA TOURAINE COFFEE CO.,
Boston, Mass., Oct. 19, 1945.

Representative ROBERT HALE,
House Office Building,
Washington, D. C.

DEAR BOB: The coffee industry of the United States is facing disaster. Inasmuch as New England is one of the centers of this industry, we are vitally affected. We have received no encouragement from either Dean Acheson or Chester Bowles. Any help that you can give us will be most appreciated.

I am enclosing you a copy of an advertisement by one of the most reputable green-coffee brokers in the United States, which appeared this morning in the Boston Herald and has been printed generally throughout the country. This advertisement gives a true and full picture of our situation.

Cordially and sincerely yours,
ADRIEL U. BIRD.

[From the Boston Herald of October 19, 1945]

MUST WE HAVE ANOTHER COFFEE SHORTAGE?

THE CITIZENS OF THE UNITED STATES AND THEIR ACCREDITED REPRESENTATIVES ARE ENTITLED TO HEAR THE TRUTH ABOUT COFFEE BEFORE IT IS TOO LATE

(Reprinted from the Tea and Coffee Trade Journal, October 1945)

As this is written it is absolutely impossible to purchase a single bag of coffee in any of the producing countries at United States ceiling prices. If OPA regulations continue no coffee will be available for United States consumption. We might be able to get along without coffee, but how about that wonderful good-neighbor policy we so eagerly seek?

European nations, including Great Britain and Canada, have purchased upwards of a million bags of good coffee during the past 6 weeks, at prices ranging from 10 to 20 percent above the ceilings which OPA established in 1941. And what is more, while these foreign buyers received the better quality coffee we in the United States received the poorer grades, and now even the poorer grades are unobtainable. New importations have stopped.

There is a little more than 3 months' supply of coffee in the United States right now, but most of it is of the poorer grades, and the cool months of our heaviest consuming season are rapidly approaching.

WHO WILL BE BLAMED?

If the coffee served in our homes and restaurants grows steadily poorer in quality?

If coffee has to be heavily rationed?

If wide unemployment and failures occur among coffee roasters, importers, and jobbers?

If 100,000,000 Latin American people resent our dictatorial attitude regarding their principal business?

In that event, the blame must be placed directly where it belongs, in the lap of the present administration.

We now consume almost 20,000,000 bags of coffee annually and in view of the fact that we grow none, how can we hope to successfully dictate the international market prices for the coffee produced by at least 14 of our neighbor nations?

The coffee industry is so highly competitive that consumer prices are sure to remain reasonable after the OPA regulations are eliminated and forgotten. The prices will quickly adjust themselves to the lowest possible level if the basic economic factors are permitted to function freely—factors such as cost of production, transportation, distribution, roasting, and lastly a reasonable profit.

Clinton P. Anderson was appointed Secretary of Agriculture because he aggressively sought the truth about this country's food situation. Since coffee is not grown in the United States it was not made the subject of those public hearings and debate. Unfortunately, the truth about coffee seems to have been a secret deeply guarded from the American public.

Congress should promptly undertake a thorough investigation of the whole coffee problem, as part of its duty to the American people and to our Latin American neighbors. When the facts are known, there should be no question as to the necessity of an immediate remedy.

Now that the war is over, it is our opinion that we should immediately do away with ceilings and all restrictions and allow the law of supply and demand to take care of the situation.

The undersigned, on their own initiative and at their own expense, take this means of bringing to the attention of the public and of our governing officials what we deem to be a situation of vital concern to the entire Nation. We believe the opinions expressed meet with the approval of the entire coffee industry.

ANGUS MACKEY & CO.,
Coffee Brokers and Agents, New York, N. Y.

HOW CAN WE PAY FOR FULL EMPLOYMENT?

Mr. KEFAUVER. Mr. Speaker, I ask unanimous consent to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. KEFAUVER. Mr. Speaker, today I am going to talk to you in terms of dollars and cents. Throughout the Nation the question is being asked, How can we pay for full employment? Everywhere people are genuinely worried over the financial burden that would be entailed by a Government program to make possible jobs for all who are able and eager to work.

When I think of the suffering caused by unemployment—the poverty and frustration and broken homes, the stunted development of our boys and girls, the tragic consequences of disease and crime and social conflicts—it strikes me that the human values involved in the opportunity to earn a living are worth almost any conceivable price.

However, that is not the approach that I am going to take here. I shall speak only in terms of goods and services and resources—of those tangibles that can be measured in dollars and cents—not through lack of conviction on the nonfinancial issues, but simply because I want to prove to you that even in terms of the most cold-blooded kind of calculation, full employment pays for itself.

A FULL-EMPLOYMENT PROGRAM DOESN'T HAVE TO INCREASE SPENDING

People fear the cost of a full-employment program because they assume that such a program must necessarily involve greatly increased Federal spending. So the first point I want to make is that under the full-employment bill a great deal can be accomplished without any increase in governmental outlays.

Remember that the essence of the bill is to rationalize and coordinate Federal activities. The aim is to make sure that everything the Government does is geared toward the full-employment objective. No new devices are contemplated; the idea is rather to use the existing tools of Federal policy more effectively.

Almost every act that we pass in Congress affects production and employment. Taxes, social security, price controls, subsidies, foreign trade, monopoly controls—all of these influence incomes or spending or investment or costs of production.

But these separate pieces of legislation have not always affected employment and production in the same direction. In the past they have often canceled each other in effect, because we had no procedure for summing up the total impact. We never knew in advance whether in the last anlysis we were influencing the economy for better or for worse.

The proposal that is now before us would require the Government to equip itself with a national budget or yardstick for determining national goals and for appraising current economic trends to see how they measure up to these

goals. This would give us a quantitative idea of the size of the problem before us at any given time. And the establishment of a joint congressional committee to study the President's legislative recommendations would ensure a coordinated and systematic attack on that problem. For the first time we would be viewing the situation as a whole and knitting our separate legislative items together into a single economic program that would be internally consistent and precisely fitted to the size of the problem. For the first time we would have in this country a national economic policy.

Now the very assurance that we were going about things in this systematic fashion, with our attention riveted upon the full-employment goal, would of itself give an unprecedented boost to the economy. If consumers could count on steady future incomes, they would not hesitate to spend freely out of war savings and current incomes, and markets would expand. If workers were assured of full job opportunity, they would have no motive to slow down production or to resist job-displacing technological improvements, and production would increase. If producers could rely on steadily expanding markets with no cyclical interruptions, they would invest in new plants and facilities, new methods, and new products, they would take advantage of the high-volume low-price formula and sales and output would send national income up to a record level. If States and cities were confident that income and property values would be high enough to yield adequate tax revenues, they would embark upon long-neglected programs of community services and facilities designed to increase the productivity of individuals and of the Nation.

No one of these groups can by itself provide the necessary assurance. But all of the people acting together through the Government can create the confidence that underlies prosperity simply by promising themselves to maintain full employment, and pledging the fiscal and regulatory resources of the Government to back this commitment.

It has been aptly said that depression is nothing but the reflection of mass fear. We have only to replace that fear with confidence, and employment will generate itself. We can literally lift ourselves by our own bootstraps.

GOVERNMENT EXPENDITURES PAY FOR THEMSELVES

Let me, however, make myself perfectly clear on this matter of public spending. I am not saying that increased Federal expenditures will not be necessary under the operation of the bill. And I am not saying that Federal expenditures are undesirable and should be avoided.

I have said, merely, that it is the policy of the bill to underwrite public confidence by providing assurance that employment—and by the same token, markets and production and incomes—will be maintained at a high level.

That assurance is based on all of the resources of the Federal Government—the whole range of policies at its disposal for influencing the economy. Increased Federal spending to create jobs directly is one, but only one, of these many tools. Nevertheless, in a sense the ultimate guaranty rests upon this spending power. The collateral may never have to be redeemed, but it can be if necessary. As with any other underwriting transaction, the promise, simply because it has been made, may never have to be fulfilled. But the value of the commitment rests upon the fact that the financial resources will be available if and when needed.

All of which brings me to the second point that I want to drive home today. Some public expenditures are just as productive as private expenditures. Investments made by the Federal Government pay for themselves in the same way as investments made by businessmen.

Gentlemen, you can judge this for yourself. Consider some of the purposes for which the Government can and does spend money. The Government might spend for research designed to assist businessmen—to make available to producers statistical and technical information enabling them to improve quality and cut costs. The Government might invest in irrigation, flood and erosion control, and other land improvement projects designed to increase land values, develop backward regions, and open up new industries and markets. The Government might lower the transportation costs of industry by investing in highways and airports and river improvements. By eradicating slum and blighted areas of cities, it might enhance urban real estate values and multiply local tax sources. By investing in public schools and health and recreational facilities it can greatly increase the efficiency, morale and know-how of industry's workers. By underwriting private credit it can make capital available to new and small enterprises, and to foreign nations, and thereby expand markets, production, and employment.

Indeed, gentlemen, there is so much that needs to be done to develop the productivity of this country in ways that are beyond the reach of private capital that I feel it would be a national crime to waste a single penny on expenditures that do not pay for themselves. We do not have time for boondoggling.

TAXES WOULD COME OUT OF INCREASED PRODUCTION

I have been talking in terms of real values—of the resources and output created by keeping men at work.

I realize, however, that this does not answer the problem of many of you who are sincerely concerned about the financial transactions involved. You are keenly aware that if the Government spends more it must tax more. Temporarily, of course, it might meet the bill by borrowing, but eventually the debt too will have to be reduced by tax revenues. And you are wondering whether all of us as a nation, or any one of us as individuals, can carry this burden of increased taxation.

Let us look at it first from the point of view of the Nation rather than of the individual. When there is unemployment, part of the working force is wasted in idleness. Men without jobs have to be supported by public funds at least at a minimum subsistence level. Meanwhile, they are not contributing to the national output. This means not only idle men, but also the idle plants and equipment and materials and investment funds which would otherwise be used to keep these workers busy producing goods and services.

Now suppose that money is taxed and channeled by the Government into some of the productive expenditures that I have just described. The result will be to put idle resources to work, to increase private investment and expenditures, and so to raise national income by much more than the amount of the original taxation. The taxes will not have proved a burden on the economy. On the contrary they will more than have paid for themselves—probably manyfold.

Sensible Federal expenditures stimulate production and employment, and in so doing they increase national income. This means higher real incomes all the way around. Workers will be earning more, not only because more of them are employed, but also because wages go up as the Nation's income and productivity rise. Consumers will have more spending power because of the lower prices made possible by increased markets and productivity. Incomes from rents will increase as property values rise. And profits from all kinds of investment will expand along with the general increase of activity. In short, the increased capacity of the Nation's taxpayers will more than keep pace with the need for additional tax revenues.

This means that tax rates will not necessarily have to increase. The additional revenues may be forthcoming merely from the spontaneous expansion of the tax base.

I assure you that if I had the choice of paying less taxes at a lower income or more taxes at a higher income, it would not take me long to make a decision.

Of course, taxes hit some individuals harder than others; they are supposed to under a progressive tax system based on ability to pay. The actual impact upon a given taxpayer will depend on the tax structure. Incidentally, the kind of tax system that will contribute most to full employment is at the same time the kind that is fairest and distributes the burden most equitably. This is a system that goes easy on the consumer and the investor who is really enterprising, and gets at idle or stagnant money in the hands of those who are unwilling to assume normal competitive risks or who have more than they know what to do with.

WE CANNOT AFFORD UNEMPLOYMENT

I started out to answer the question "How can we pay for full employment?" I hope that I have answered it by demonstrating that full employment to a considerable degree pays for itself out of the product created by putting idle resources to work.

Now I want to clinch the argument, if I can, by asking you the question "How can we pay for unemployment?" What will happen to us financially if we allow depression to develop out of this reconversion crisis with which we are already confronted?

Consider this for a moment in the more conventional terms of how to balance the Budget. If unemployment goes up to the 8,000,000 mark, as Mr. Snyder tells us it will, and if it stays there for some time as Mr. Snyder tells us it may, what will be the consequences on the financial operations of the Federal Government?

For one thing, we will face increased Federal expenditures for relief. Not only relief for the destitute unemployed, which will by itself be a weighty item. But also relief for farmers caught by shrinking markets, in some such form as price support payments or export subsidies; relief for financial institutions in the form of heavy payments into underwriting schemes like RFC, FHA, bank-deposit insurance, and so forth; possibly even relief for manufacturers in the form of subsidies. It is a matter of record that when the bottom falls out of the economy, everybody comes running to Washington, and there is a heavy drain on the Federal purse. This cannot be avoided.

But where will the money come from to finance these emergency expenditures? The tax base—in other words, the national income—will go down even faster than expenses go up. And the difference cannot be made up in steeper tax rates without precipitating a still further decline in production and income.

There is not the slightest doubt that such a situation would call for heavy deficit spending. Indeed the history of the growing public debt has been almost exclusively tied up with two kinds of national emergencies—war and depression—simply because these are situations in which it is not feasible to cover expenses through taxation. Prosperity, on the other hand, has never given rise to an increase in the Federal debt.

But this tells only part of the story. In the last depressions we suffered losses that were much more serious and irreparable than the increase of the public debt. In dollars-and-cents terms, we lost 350 billion in national income, millions in farm income, in wages, and salaries, in corporate profits, and so forth. (See O'MAHONEY'S testimony, pt. 1 of the Banking and Currency Committee hearings.) And we cannot even estimate the productive capacity that was lost in real resources through the depreciation of plant and equipment, and the deterioration of human physiques and skills.

Gentlemen, this is the real problem. This is the question that is pertinent and timely. How can we possibly afford unemployment?

SENATE BILLS AND JOINT RESOLUTION REFERRED

Bills and a joint resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 203. An act for the relief of Margery Anderson Bridges; to the Committee on Immigration and Naturalization.

S. 356. An act to amend the Interstate Commerce Act, as amended, so as to provide limitations on the time within which actions may be brought for the recovery of undercharges and overcharges by or against common carriers by motor vehicle and freight forwarders; to the Committee on Interstate and Foreign Commerce.

S. 432. An act to increase from 2 to 3 years the period of limitation on actions for undercharges and overcharges by or against railroad carriers; to the Committee on Interstate and Foreign Commerce.

S. 473. An act relating to pay and allowances of officers of the retired list of the Regular Navy and Coast Guard performing active duty in the rank of rear admiral; to the Committee on Naval Affairs.

S. 914. An act to amend the Tariff Act of 1930, as amended, so as to permit the designation of freight forwarders as carriers of bonded merchandise; to the Committee on Ways and Means.

S. 1084. An act for the relief of John C. May and Eva Jenkins May; to the Committee on Claims.

S. 1122. An act for the relief of Charles Bryan; to the Committee on Claims.

S. 1131. An act for the relief of Jess Hudson; to the Committee on Claims.

S. 1142. An act for the relief of Florence Barrows; to the Committee on Claims.

S. 1296. An act for the relief of John A. Hatcher, to the Committee on Claims.

S. 1438. An act to provide additional inducements to citizens of the United States to make the United States Naval Service a career, and for other purposes; to the Committee on Naval Affairs.

S. J. Res. 110. Joint resolution to limit the operation of sections 109 and 113 of the Criminal Code, and sections 361, 365, and 366 of the Revised Statutes, and certain other provisions of law; to the Committee on the Judiciary.

ENROLLED BILLS SIGNED

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 239. An act for the relief of Dr. Ernest H. Stark;

H. R. 240. An act for the relief of Dr. James M. Hooks;

H. R. 390. An act to amend section 28 (c) of the Immigration Act of 1924;

H. R. 1104. An act to amend section 23 of the Immigration Act of February 5, 1917;

H. R. 1465. An act for the relief of the State of California;

H. R. 1563. An act for the relief of N. Owen Oxley and the legal guardian of Lamar Oxley, a minor;

H. R. 2172. An act for the relief of J. Clyde Marquis;

H. R. 2668. An act to transfer Ben Hill County, Ga., from the Waycross division of the southern judicial district of Georgia to the Americus division of the middle judicial district of Georgia; and

H. R. 3220. An act to establish a boundary line between the District of Columbia and the Commonwealth of Virginia, and for other purposes.

The SPEAKER announced his signature to an enrolled bill of the Senate of the following title:

S. 1383. An act to amend an act relating to the incorporation of Providence Hospital, Washington, D. C., approved April 8, 1864.

BILLS PRESENTED TO THE PRESIDENT

Mr. ROGERS of New York, from the Committee on Enrolled Bills, reported that that committee did on this day present to the President, for his approval, bills of the House of the following titles:

H. R. 239. An act for the relief of Dr. Ernest H. Stark;

H. R. 240. An act for the relief of Dr. James M. Hooks;

H. R. 390. An act to amend section 28 (c) of the Immigration Act of 1924;

H. R. 1104. An act to amend section 23 of the Immigration Act of February 5, 1917;

H. R. 1465. An act for the relief of the State of California;

H. R. 1563. An act for the relief of N. Owen Oxley and the legal guardian of Lamar Oxley, a minor;

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H. R. 3220. An act to establish a boundary line between the District of Columbia and the Commonwealth of Virginia, and for other purposes.

ADJOURNMENT

Mr. HEALY. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 4 o'clock and 35 minutes p. m.) the House adjourned until tomorrow, Thursday, October 25, 1945, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON WORLD WAR VETERANS' LEGISLATION

There will be a meeting of the Committee on World War Veterans' Legislation, in executive session, on Thursday, October 25, 1945, at 10 a. m., in room 356, Old House Office Building.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

The Committee on Public Buildings and Grounds will hold a hearing on Thursday, October 25, at 10 a. m., on the bill (H. R. 4276) to provide for the construction of public buildings, and for other purposes, in the Rivers and Harbors Committee room.

COMMITTEE ON EXPENDITURES IN THE EXECUTIVE DEPARTMENTS

The Committee on Expenditures in the Executive Departments will hold a hearing at 10 o'clock a. m., Thursday, October 25, 1945, in room 304, Old House Office Building, on H. R. 2202, the full-employment bill.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

The Committee on the Merchant Marine and Fisheries will meet Thursday, October 25, 1945, at 10 o'clock a. m., in executive hearing, to consider the bill (H. R. 3139) to authorize the Coast Guard to investigate and employ new methods of promoting safety at sea and aiding navigation.

The Committee on the Merchant Marine and Fisheries will meet, in executive hearing, on Thursday, November 1, 1945, at 10 a. m., to consider the bill (H. R. 3861) to provide special rules for preventing collisions of vessels navigating the Gulf Intracoastal Waterway and certain rivers and inland waters emptying into the Gulf of Mexico, and for other purposes.

The Committee on the Merchant Marine and Fisheries will meet, in executive hearing, on Thursday, November 8, 1945, at 10 o'clock a. m., to consider H. R. 2633 and H. R. 3802, bills for the refund of frustrated voyages.

COMMITTEE ON THE JUDICIARY

Subcommittee No. 4 of the Committee on the Judiciary will hold a hearing on Friday, October 26, 1945, on the following: House Concurrent Resolution 85, House Concurrent Resolution 86, House Concurrent Resolution 91, and House Joint Resolution 245, declaring the date of termination of hostilities in the present war. The hearings will begin at 10:30 a. m. and will be held in the Judiciary Committee room, 346, House Office Building.

COMMITTEE ON THE POST OFFICE AND POST ROADS

Subcommittee No. 7 of the Post Office and Post Roads Committee will hold a hearing on Tuesday, October 30, 1945, at 10 a. m., on the star route bills (H. R. 2000 and H. R. 2524) to provide for the carrying of mail on star routes, and for other purposes.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

798. A letter from the Comptroller of the Currency, transmitting a copy of the complete Annual Report of the Comptroller of the Currency for the Year 1944; to the Committee on Banking and Currency.

799. A communication from the President of the United States, transmitting a supplemental estimate of appropriation for the fiscal year 1946 in the amount of $679,700 for the Office of Alien Property Custodian (H. Doc. No. 360); to the Committee on Appropriations and ordered to be printed.

800. A communication from the President of the United States, transmitting supplemental estimates of appropriation for the fiscal year 1946 in the amount of $1,072,299.69, together with a draft of a proposed provision pertaining to an existing appropriation, for the Department of the Interior (H. Doc. No. 361); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. IZAC: Committee on Naval Affairs. H. R. 4421. A bill to increase the permanent authorized enlisted strength of the active list of the Regular Navy and Marine Corps, to increase the permanent authorized number of commissioned officers of the active list of the line of the Regular Navy, and to authorize permanent appointments in the Regular Navy and Marine Corps, and for other purposes; without amendment (Rept. No. 1144). Referred to the Committee of the Whole House on the State of the Union.

Mr. WEST: Committee on Ways and Means. S. 1281. An act to provide for covering into the treasury of the Philippines certain Philippine funds in the Treasury of the United States; without amendment (Rept. No. 1146). Referred to the Committee of the Whole House on the State of the Union.

Mr. RABIN: Committee on Interstate and Foreign Commerce. H. R. 3940. A bill to revive and reenact the act entitled "An act granting the consent of Congress to Rensselaer and Saratoga Counties, N. Y., or to either of them, or any agency representing said counties, to construct, maintain, and operate a free highway bridge across the Hudson River between the city of Mechanicville and Hemstreet Park in the town of Schaghticoke, N. Y.," approved April 2, 1941; with amendment (Rept. No. 1147). Referred to the House Calendar.

Mr. CHAPMAN: Committee on Interstate and Foreign Commerce. H. R. 3730. A bill granting the consent of Congress to the State of West Virginia to construct, maintain, and operate a free highway bridge across the Monongahela River at or near Star City, W. Va.; without amendment (Rept. No. 1148). Referred to the House Calendar.

Mr. O'HARA: Committee on Interstate and Foreign Commerce. H. R. 3616. A bill to extend the times for commencing and completing the construction of a bridge across the Mississippi River at Mill Street in Brainerd, Minn.; with amendment (Rept. No. 1149). Referred to the House Calendar.

Mr. HOWELL: Committee on Interstate and Foreign Commerce. S. 1219. An act authorizing the city of St. Francisville, Ill., to construct, maintain, and operate a toll bridge across the Wabash River at or near St. Franciscille, Ill.; without amendment (Rept. No. 1150). Referred to the House Calendar.

Mr. O'HARA: Committee on Interstate and Foreign Commerce. S. 927. An act to revive and reenact the act entitled "An act granting the consent of Congress to the State of Montana, or the counties of Roosevelt, Richland, and McCone, singly or jointly, to construct, maintain, and operate a free highway bridge across the Missouri River, at or near Poplar, Mont.," approved July 28, 1937; without amendment (Rept. No. 1151). Referred to the House Calendar.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BLAND:

H. R. 4480. A bill to authorize an investigation of means of increasing the capacity and security of the Panama Canal; to the Committe on the Merchant Marine and Fisheries.

By Mr. COLE of Missouri:

H. R. 4481. A bill to establish the methods of advancement for post-office employees (rural carriers) in the field service; to the Committee on the Post Office and Post Roads.

By Mr. HEDRICK:

H. R. 4482. A bill designating May 8, the date proclaimed by the President of the United States as the final surrender of Germany and ending European hostilities in World War II, as a legal holiday; to the Committee on the Judiciary.

By Mr. MAY:

H. R. 4483. A bill to modify the time limitations governing the award of certain military and naval decorations for acts performed during the present war; to the Committee on Military Affairs.

By Mr. OUTLAND:

H. R. 4484. A bill relating to the construction and maintenance of permanent buildings and improvements for banking purposes on the Fort Ord Military Reservation, Calif.; to the Committee on Military Affairs.

By Mr. RICHARDS:

H. R. 4485. A bill to broaden eligibility for compensation benefits for widows of veterans; to the Committee on World War Veterans' Legislation.

By Mr. SIKES:

H. R. 4486. A bill to abolish the Santa Rosa Island National Monument and to provide for the conveyance to Escambia County, State of Florida, of that portion of Santa Rosa Island which is under the jurisdiction of the Department of the Interior; to the Committee on the Public Lands.

H. R. 4487. A bill to require common carriers by railroad to install reflectors on railroad cars; to the Committee on Interstate and Foreign Commerce.

By Mr. WALTER:

H. R. 4488. A bill to prohibit the participation in a representative capacity of Government personnel or former Government personnel in certain proceedings, and for other purposes; to the Committee on the Judiciary.

By Mr. DOUGHTON of North Carolina:

H. R. 4489. A bill to extend certain privileges, exemptions, and immunities to international organizations and to the officers and employees thereof, and for other purposes; to the Committee on Ways and Means.

By Mr. GRANT of Indiana:

H. Con. Res. 98. Concurrent resolution declaring the end of the unlimited emergency, the national emergency, and the termination of hostilities of World War II; to the Committee on the Judiciary.

By Mr. HOFFMAN:

H. Res. 377. Resolution to appoint an investigating committee; to the Committee on Rules.

By Mr. HOOK:

H. Res. 378. Resolution making H. R. 1834 a special order of business; to the Committee on Rules.

By Mr. VINSON:

H. Res. 379. Resolution providing for the consideration of H. R. 4421, a bill to increase the permanent authorized enlisted strength of the active list of the Regular Navy and Marine Corps, to increase the permanent authorized number of commissioned officers of the active list of the line of the Regular Navy, and to authorize permanent appointments in the Regular Navy and Marine Corps, and for other purposes; to the Committee on Rules.

MEMORIALS

Under clause 3 of rule XXII, memorials were presented and referred as follows:

By the SPEAKER: Memorial of the Legislature of the State of Missouri, memorializing the President and the Congress of the United States to do all within their power to secure the immediate release from the armed forces of boys and young men desiring to resume their school work; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred, as follows:

By Mr. DAVIS:

H. R. 4490. A bill for the relief of Mrs. Molly Poindexter, dependent mother of George Poindexter, deceased; to the Committee on Claims.

By Mrs. DOUGLAS of California:

H. R. 4491. A bill for the relief of Miss Vertie Bea Loggins; to the Committee on Claims.

By Mr. HARE:

H. R. 4492. A bill for the relief of Charles Marvin Smith; to the Committee on Claims.

By Mr. KEARNEY:

H. R. 4493. A bill for the relief of Frank J. Schrom; to the Committee on Claims.

By Mr. RAMSPECK:

H. R. 4494. A bill for the relief of MacDougald Construction Co.; to the Committee on Claims.

By Mr. TOLAN:

H. R. 4495. A bill for the relief of William H. Roman; to the Committee on Claims.

By Mr. WOLFENDEN of Pennsylvania:

H. R. 4496. A bill for the relief of Anne Robinson Norwood; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1269. By the SPEAKER: Petition of Adrian Torres and others, petitioning consideration of their resolution with reference to a question of principle and collective rights acquired by virtue of citizenship extended to Puerto Rico; to the Committee on Insular Affairs.

1270. By Mr. LUTHER A. JOHNSON: Petition of A. A. Owen, secretary, Ellis County Agricultural Association, Waxahachie, Tex., favoring House Joint Resolution 216; to the Committee on Agriculture.

HOUSE OF REPRESENTATIVES

THURSDAY, OCTOBER 25, 1945

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Thou who art the Lord of all being and the goal of all our hopes, teach us the secret of communion with Thee. Enable us to go thrcugh these days without frustration or confusion in our problems. Clothe us with the hero's heart, the poet's vision, and the patriot's voice, that we may strive to lighten the brows of the "heavy laden" and to free them from the pain of the road.

O Thou whose eternal name is Love, give us a clearer insight that we may rise above the expanse of confusion and feel the rapture of a sincere resolution to make every endeavor the measure and the mark of a true man, striking at the very roots of our Nation's ills. Clear and make strong the highway that leads to a solid, united, and intelligent citizenship. O let us feel the surge of a compulsion, a broadening outlook that will keep the wheels of progress turning, that, under God, no formula of any other rule shall ever displace our great democracy. Abide with every Member of the Congress, and when we separate today dismiss us with Thy blessing. In the name of Jesus. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Gatling, its enrolling clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 4309. An act to reduce taxation, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. LA FOLLETTE, and Mr. TAFT to be the conferees on the part of the Senate.

EXTENSION OF REMARKS

Mr. MANSFIELD of Montana asked and was given permission to extend his remarks in the Appendix of the RECORD and include therein two letters.

PERMISSION TO ADDRESS THE HOUSE

Mr. FOLGER. Mr. Speaker, I ask unanimous consent that after the disposition of business on the Speaker's desk and the conclusion of special orders heretofore entered, I may address the House for 15 minutes today.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

PALESTINE

Mr. SOMERS of New York. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. SOMERS of New York. Mr. Speaker, I have received from Palestine a radiogram which I think would be of interest to Members of the House of Representatives. It reads:

We parents of 18 boys and 2 girls sentenced 16th October by Palestine military court to various imprisonment sentences, mostly 7 years, beg your aid to rouse American public opinion during next 10 days prior ratification sentence by officer commanding British troops, Palestine. Our children, aged 15 to 20, were arrested August 16 at Shuni while camping in wood. Though nothing found on them were taken to Acre Prison. Later police discovered arms cached vicinity camp. No civilians present at discovery. Twenty-six prosecution witnesses failed establish slightest connection between children and arms. Though notebooks found in cache, handwriting and fingerprints don't correspond children's. Children denied all knowledge arms and protested illegality their trial. Yesterday same court discharged Arab Ahmed Suliman Ali of Nimrin accused rifle on roof his house who claimed policeman planted rifle but gave our children total 118 years for unproven offense. We demand cancellation of outrageous discriminatory political sentence. Please help in name all parents.

Signed by a grandmother of one.

Upon receiving this radiogram, I wrote to Lord Halifax and asked him if it would not be possible to make a thorough investigation of this matter. I now await hi reply and will submit it to the House when it is received.

The SPEAKER. The time of the gentleman from New York has expired.

COMMITTEE ON PUBLIC BUILDINGS AND GROUNDS

Mr. LANHAM. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. LANHAM. Mr. Speaker, I wish to give notice that beginning next Wednesday morning, at 10 o'clock, in the committee room of the Committee on Rivers and Harbors, the Committee on Public Buildings and Grounds will be glad to hear Members of Congress who wish to suggest amendments to H. R. 4276, the public buildings bill. The gentleman from Alabama [Mr. HOBBS], the gentleman from South Carolina [Mr. HARE], and perhaps others have made such requests.

May I say in this regard that under existing law the Committee on Public Buildings and Grounds is not authorized to designate specific places for post-office construction and other construction around the country generally. For this reason we should like to limit the testimony of Members to any suggested amendments they may have to offer with reference to the proposals in the bill.

The SPEAKER. The time of the gentleman from Texas has expired.

EXTENSION OF REMARKS

Mr. LARCADE asked and was given permission to extend his remarks in the RECORD and include a copy of an editorial appearing in the Washington Evening Star.

Mr. LARCADE asked and was given permission to extend his remarks in the RECORD and include a newspaper article by Constantine Brown, a Washington columnist.

COMPULSORY MILITARY TRAINING

Mr. LARCADE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

[Mr. LARCADE addressed the House. His remarks appear in the Appendix.]

UNITED NATIONS CHARTER

Mr. DOYLE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. DOYLE. Mr. Speaker, millions of human lives have been recently snuffed out that we who survive might live and live more abundantly and in a world at peace. Millions have just died at war to the end that the surviving world might live at peace.

Yesterday, right here in Washington, the United Nations Security Organization for World Peace became an accomplished fact when our own Secretary of State signed a protocol of deposit of ratifications. Yesterday also Poland and and the Soviet Union first signed. Thus the United Nations Charter became a part of the law of the world nations loving peace more than selfish power.

As our own great Nation threw her every resource, manpower, material, and spiritual, into winning this war, our highest duty to our war dead, our highest instincts, and the dictates of self-preservation demand that we likewise, in our generation, throw our every resource, material and spiritual, into winning an enduring world peace.

The invention and the use of the atomic bomb, together with the destruction of life and property; together with the other everpresent and everlasting