

By Mr. CABLE: A bill (H. R. 6997) granting a pension to Margaret A. Addington; to the Committee on Invalid Pensions.

By Mr. DEAL: A bill (H. R. 6998) for the relief of Lottie May Bolin; to the Committee on Claims.

By Mr. EVANS of Iowa: A bill (H. R. 6999) for the relief of Thomas W. Killion; to the Committee on Claims.

By Mr. FITZGERALD: A bill (H. R. 7000) for the relief of Herman Wagner; to the Committee on Military Affairs.

By Mr. FROTHINGHAM: A bill (H. R. 7001) for the relief of William L. Nolan; to the Committee on Claims.

By Mr. KVALE: A bill (H. R. 7002) authorizing the Secretary of War to donate to the town of Bellingham, Minn., one German cannon or fieldpiece; to the Committee on Military Affairs.

By Mr. OLDFIELD: A bill (H. R. 7003) granting a pension to C. B. Chamness; to the Committee on Invalid Pensions.

By Mr. PARK of Georgia: A bill (H. R. 7004) for the relief of the Georgia, Florida & Alabama Railway Co., a corporation; to the Committee on Claims.

By Mr. SCHNEIDER: A bill (H. R. 7005) authorizing the Secretary of War to cause a preliminary examination and survey to be made of the outer channel of Green Bay Harbor, Wis.; to the Committee on Rivers and Harbors.

By Mr. SPROUL of Kansas: A bill (H. R. 7006) granting a pension to Adelia Chill; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7007) granting a pension to Margaret B. Blunt; to the Committee on Invalid Pensions.

Also, a bill (H. R. 7008) granting a pension to Sarah B. Jewett; to the Committee on Invalid Pensions.

By Mr. SUMMERS of Washington: A bill (H. R. 7009) for the relief of P. F. Billingsley; to the Committee on Claims.

By Mr. VOIGT: A bill (H. R. 7010) providing for an examination and survey of a deep-water route from Green Bay, Wis., to the mouth of the Wisconsin River near Prairie du Chien, Wis.; to the Committee on Rivers and Harbors.

#### PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1069. By Mr. CHINDBLOM: Petition of George G. Avalon and 127 others in favor of House bill 184, relating to raising canary birds and providing revenue; to the Committee on Ways and Means.

1070. By Mr. COLE of Ohio: Petition of residents of the eighth Ohio district for the removal of war taxes as far as practicable, especially on industrial alcohol; to the Committee on Ways and Means.

1071. By Mr. GALLIVAN: Petition of Francesco Abbruzzese, 74 Dresser Street, South Boston, Mass., protesting against the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1072. Also, petition of Antonio Abbruzzese, 21 Hecla Street, Dorchester, Mass., protesting against the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1073. Also, petition of the National Shoe Travelers' Association, Boston, Mass., recommending passage of House bill 2685, which will prohibit the collection of a surcharge for the transportation of persons or baggage in connection with the payment for parlor or sleeping car accommodations; to the Committee on Ways and Means.

1074. Also, petition of George Lawley & Son Corporation, Boston, Mass., urging elimination of tax on boats; to the Committee on Ways and Means.

1075. Also, petition of Conrad Meyer, 185 Magnolia Street, Roxbury, Mass., protesting against the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1076. By Mr. GARDNER of Indiana: Petitions of R. C. Ellis, R. A. Lapping, B. M. Minigus, Otto Voyles, George A. Newhouse, C. R. Hinkebein, Charles F. Callahan, Walter A. Gadiant, William E. Falk, and other citizens, and Ohio Falls Iron Co., all of New Albany, Ind., urging Congress to take an aggressive and persistent stand for lower taxes and to support a tax-reduction plan substantially along the lines recommended by Hon. Andrew W. Mellon, Secretary of the Treasury of the United States; to the Committee on Ways and Means.

1077. Also, petitions of Charles H. Moser, George H. Holsberg, and John Glenger, all of Jeffersonville, Ind., urging Congress to take an aggressive and persistent stand for lower taxes, and to support a tax-reduction plan substantially along the lines recommended by Hon. Andrew W. Mellon, Secretary of the Treasury of the United States; to the Committee on Ways and Means.

1078. By Mr. KVALE: Petition of members of the Holstein Breeders' Association of Kandiyohi County, Willmar, Minn., urging the adoption of the Norbeck-Burtness bill to provide for speeding up diversification, and urging the reduction of the interest rate therein provided to a maximum of 5 per cent; to the Committee on Agriculture.

1079. Also, petition of citizens of Ortonville, Minn., favoring the reduction or the removal of the so-called nuisance and war taxes, especially the tax on industrial alcohol; to the Committee on Ways and Means.

1080. Also, petition of farmers and business men of Big Stone County, Minn., in mass meeting assembled at Clinton, urging speedy enactment of emergency relief for agriculture in the Northwest as proposed in the McNary-Haugen bill; to the Committee on Agriculture.

1081. Also, petition of farmers of the southern half of Traverse County, Minn., in mass meeting assembled, urging the enactment into law of the McNary-Haugen bill; to the Committee on Agriculture.

1082. Also, petition of members of the Auxiliary No. 357, of Clark Peterson Post, No. 357, American Legion, Ashby, Minn., urging passage of an adjusted compensation measure without delay; to the Committee on Ways and Means.

1083. By Mr. LEAVITT: Communication of Dorothy E. Tindall, secretary of Great Falls (Mont.) Union, No. 61, National Federation of Federal Employees, urging abolition of Personnel Classification Board; to the Committee on Reform in the Civil Service.

1084. Also, communication of Missoula (Mont.) Chamber of Commerce, favoring abolishment of Personnel Classification Board and transfer of functions to Civil Service Commission; to the Committee on Reform in the Civil Service.

1085. By Mr. O'CONNELL of New York: Petition of the Consumers' League, of Brooklyn, N. Y., favoring the increase in salary for the postal employees; to the Committee on the Post Office and Post Roads.

1086. By Mr. O'SULLIVAN: Petition of automobile dealers of Bridgeport, Conn., in favor of removal of the excise tax on automobiles and accessories; to the Committee on Ways and Means.

1087. Also, petition of automobile dealers of New Haven, Conn., in favor of removal of the excise tax on automobiles and accessories; to the Committee on Ways and Means.

1088. Also, petition of 83 citizens of Ansonia, Conn., in opposition to the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1089. Also, petition of 76 citizens of Derby, Conn., in opposition to the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1090. Also, petition of Giuseppe Aurelio Costanzo Society, of Ansonia, Conn., in opposition to the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1091. Also, petition of Italian-American Political Club, of Ansonia, Conn., in opposition to Johnson immigration bill; to the Committee on Immigration and Naturalization.

1092. By Mr. SNELL: Petition of citizens of Nicholville, N. Y., protesting against tax on alcohol in flavoring extracts; to the Committee on Ways and Means.

1093. By Mr. WILSON of Indiana: Petition of Lodge No. 1231, International Association of Machinists, of Evansville, Ind., urging that Congress have enacted into law legislation similar to or identical with the Brookhart-Hull bills (S. 742 and H. R. 2702), requiring that all strictly military supplies be manufactured in the Government-owned navy yards and arsenals and providing for stabilizing of production and employment in Government industrial establishments by the use of these plants for the manufacture of articles required by other departments of the Government; to the Committee on Military Affairs.

#### SENATE.

FRIDAY, February 15, 1924.

(Legislative day of Wednesday, February 13, 1924.)

The Senate met in executive session at 12 o'clock meridian, on the expiration of the recess. After six hours spent in executive session, the doors were reopened.

CONFIRMATION OF COL. DUNCAN K. MAJOR, JR.

On motion of Mr. WALSH of Massachusetts the vote on the confirmation of Lieut. Col. Duncan K. Major, jr., to be colonel of Infantry in the Regular Army, taken this day in executive

session in the Senate, was ordered to be printed in the RECORD. The vote resulted—yeas 43, nays 24, not voting 29, as follows:

YEAS—43.

|           |                |           |              |
|-----------|----------------|-----------|--------------|
| Adams     | George         | McLean    | Shipstead    |
| Brandegge | Glass          | McNary    | Shortridge   |
| Broussard | Gooding        | Moses     | Short        |
| Bruce     | Greene         | Norbeck   | Spencer      |
| Bursum    | Howell         | Norris    | Stephens     |
| Cameron   | Jones, N. Mex. | Oddie     | Swanson      |
| Couzens   | Jones, Wash.   | Overman   | Wadsworth    |
| Cummins   | Keyes          | Pepper    | Walsh, Mont. |
| Curtis    | King           | Phipps    | Warren       |
| Edge      | Lenroot        | Ransdell  | Weller       |
| Ferris    | McKinley       | Reed, Pa. |              |

NAYS—24.

|           |          |                |              |
|-----------|----------|----------------|--------------|
| Ashurst   | Dale     | Johnson, Minn. | Sheppard     |
| Bayard    | Dial     | Kendrick       | Stanley      |
| Brookhart | Dill     | Lodge          | Trammell     |
| Capper    | Frazier  | Pittman        | Walsh, Mass. |
| Caraway   | Hale     | Reed, Mo.      | Wheeler      |
| Copeland  | Harrison | Robinson       | Willis       |

NOT VOTING—29.

|         |                 |           |           |
|---------|-----------------|-----------|-----------|
| Ball    | Fletcher        | McCormick | Smith     |
| Borah   | Gerry           | McKellar  | Stanfield |
| Colt    | Harrell         | Mayfield  | Sterling  |
| Edwards | Harris          | Neely     | Underwood |
| Elkins  | Hellin          | Owen      | Watson    |
| Ernst   | Johnson, Calif. | Ralston   |           |
| Fernald | Ladd            | Shields   |           |
| Fess    | La Follette     | Simmons   |           |

So Duncan K. Major, jr., was confirmed as a colonel of Infantry in the Regular Army.

The pairs were as follows:

The Senator from Delaware [Mr. BALL] with the Senator from Florida [Mr. FLETCHER];

The Senator from Rhode Island [Mr. COLT] with the Senator from Texas [Mr. MAYFIELD];

The Senator from Kentucky [Mr. ERNST] with the Senator from Tennessee [Mr. SHIELDS];

The Senator from Maine [Mr. FERNALD] with the Senator from Alabama [Mr. UNDERWOOD];

The Senator from Ohio [Mr. FESS] with the Senator from West Virginia [Mr. NEELY];

The Senator from California [Mr. JOHNSON] with the Senator from Indiana [Mr. RALSTON];

The Senator from Illinois [Mr. MCCORMICK] with the Senator from Oklahoma [Mr. OWEN];

The Senator from Oregon [Mr. STANFIELD] with the Senator from New Jersey [Mr. EDWARDS];

The Senator from South Dakota [Mr. STERLING] with the Senator from Georgia [Mr. HARRIS]; and

The Senator from Oklahoma [Mr. HARRELD] with the Senator from North Carolina [Mr. SIMMONS].

ADDRESS ON WOODROW WILSON BY JOSEPH P. TUMULTY.

Mr. HARRISON. Mr. President, I ask unanimous consent to have printed in the RECORD an address on Woodrow Wilson by Joseph P. Tumulty, delivered at Newark, N. J., February 13, 1924.

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

ADDRESS BY JOSEPH P. TUMULTY AT NEWARK, N. J., FEBRUARY 13, 1924.

It is now New Jersey's proud boast that she gave to the Nation a distinguished son, whose greatness is acclaimed in a mighty concord of opinion throughout the civilized world. Greatness like that possessed by Woodrow Wilson is a hidden, mystical thing.

Looking back over the crises of the past 11 years, one sees in Woodrow Wilson's handling of delicate affairs of Government, both foreign and domestic, the same unusual patience, the same fine industry, the same tenacity of purpose which characterized the acts and decisions of his predecessor in office, the lamented Abraham Lincoln.

Though born in the Southland, a field of internecine strife, he was a Lincoln devotee, who, by reading and study, became saturated with the Lincoln point of view and the Lincoln technique in the handling of delicate public problems. Who can read the speech of Woodrow Wilson at Hodgenville, Ky., dedicating the Lincoln birthplace, and not see in it a picture of the man, as he revealed himself in these words? Speaking of Lincoln, he said:

"That brooding spirit had no real familiars. I get the impression that it never spoke out in complete self-revelation, and that it could not reveal itself completely to anyone. It was a very lonely spirit that looked out from underneath those shaggy brows, and comprehended men without fully communing with them, as if, in spite of all its genial efforts at comradeship, it dwelt apart, saw its visions of duty where no man looked on. There is a very holy and very terrible isolation for the conscience of every man who seeks to read destiny in the affairs for others as well as for himself, for a nation as well as for individuals. That privacy no man can intrude upon. That lonely search of the spirit for the right perhaps no man can assist."

Describing Lincoln in these words, did we not see in Woodrow Wilson, during the critical days of war, the same attitude of aloofness manifesting itself where grave matters pressed upon him for solution—matters that involved the destinies of nations and peoples?

Death, at last, holds at bay the criticisms of his enemies. They said during the war that his statesmanship was impotent, futile, and without result; that there was no use appealing to moral force in a world in which the forces of civilization were engaged in a veritable death grapple, and yet it requires neither the vision of a seer nor of a philosopher to understand that the mightiest blows struck at German morale and prestige were those found in the immortal preachments of Woodrow Wilson, that went like shot and shell to destroy what appeared to be the impregnable fortress of German power.

Von Tirpitz in his Memoirs laid stress on the effect of the Wilson submarine notes. Ludendorff declares in his book that the "Wilson propaganda" that found root in Berlin and finally grew there, eventually convinced the German people that it was not they themselves, but the Government and militarism that the United States was warring against. This was the seed of dissension that ruined German morale at home. Von Tirpitz further states that "Only the transmitting to Germany of the threatening notes of President Wilson, when he inveighed against my submarine campaign during the latter stages of the war, prevented Japan from coming to us in a great Germano-Japanese alliance, which would have ended the war at once."

The persistent note writing of Woodrow Wilson, so often the subject of song and jest, was as mighty a force in winning the war as the consummate strategy of Joffre and Foch. New Jersey is, therefore, particularly distinguished in the premier position which Woodrow Wilson attained in world affairs, for here in our own beloved State he found a laboratory where were tried those experiments which later, in a broader field, were utilized to find the solution of the problems that confronted him. No one could live with him and struggle with him without feeling that here was a man in whose heart burned a passion for humanity. With him humanity was not a thing of shreds and patches, a thing divided into races, religions, sections, groups, clans, and blocs. To him humanity was a big, pulsating whole, made up of men, women, and children of all races and religions; his great heart sought to comprehend the interests of those heterogeneous elements and to understand their life and their tragedies, far away from those artificial lines that divide men. He strove to interpret the feeling and aspiration of peace that came to him, hot and bloody, out of the trenches, the spirit that has cried down through the centuries for peace, everlasting peace—a cry that he seemed to hear above the hissing of the shrapnel and the roar of the cannonading. Indeed, there was something hidden and mystical about his greatness. He "comprehended men without fully communing with them, as if, in spite of all genial efforts at comradeship, he dwelt apart and saw visions of duty where no man looked on." They said he was "too proud to fight"; that he "watchfully waited"; that when the country seemed to be impatient for war, he held it back. He understood better than his critics the basis of this impatience, but that in no way hurried him into rash or precipitate action.

At a private dinner in Washington he took cognizance of this critical situation and, addressing a group of Senators and Congressmen and high dignitaries of state, he spoke of the impatience of the country which then manifested itself, saying, "I wish that whenever an impulse of impatience comes upon us, whenever an impulse to settle a thing some short way tempts us, we might close the door and take down some old stories of what American idealists and statesmen did in the past, and not let any counsel in that does not sound in the authentic voice of American tradition. Then we shall be certain what the lines of the future are because we shall know we are steering by the lines of the past. We shall know that no temporary convenience, no temporary expediency will lead us either to be rash or to be cowardly. I would be just as much ashamed to be rash as I would to be a coward. Valor is self-respecting. Valor is circumspect. Valor strikes only when it is right to strike. Valor withholds itself from all small implications and entanglements and waits for the great opportunity when the sword will flash as if it carried the light of heaven upon its blade."

His enemies criticized him for his exclusiveness, for his aloofness, and said he did not understand the problems of the average man; that there was a wide gulf between this man who stepped from the cloistered retreat of a university into the hurly-burly political life of the Nation and the ordinary man. But the fact is, and I speak out of an abundant experience covering 11 years of intimate association, no one in America had a better understanding of the problems and the life of the everyday man. Woodrow Wilson not only understood, but sought by every act to relieve his burdens. In the early days, in New Jersey, speaking of the common man, he said:

"You know that communities are not distinguished by exceptional men. They are distinguished by the average of their citizenship. \* \* \* I often think of the poor man when he goes to vote: a moral unit in his lonely dignity. When I look back at the genesis of America, I see this written over every page, that the nations are renewed from the

bottom, not from the top; that the genius which springs up from the ranks of unknown men is the genius which renews the youth and the energy of the people; and in every age of the world where you stop the courses of the blood from the roots you injure the great, useful structure to the extent that atrophy, death, and decay are sure to ensue. This is the reason that an hereditary monarchy does not work; that is the reason that an hereditary aristocracy does not work; that is the reason that everything of that sort is full of corruption and ready to decay. And as I confess my belief in the common man, I know what I am saying. The man who is swimming against the stream knows the strength of it. The man who is in the *mélée* knows what blows are being struck and what blood is being drawn. The man who is 'on the make' is a judge of what is happening in America, not the man who has made; not the man who has emerged from the flood, not the man who is standing on the bank, looking on, but the man who is struggling for his life and for the lives of those who are dearer to him than himself. That is the man whose judgment will tell you what is going on in America, and that is the man by whose judgment I for one wish to be guided."

Time and again as I listened to the speeches of Woodrow Wilson I was reminded of the great speeches of Lincoln and thought I saw the spirit of the Great Emancipator breathing through sentences like these:

"We are not working for to-day, we are not working for our own interest, we are all going to pass away. But think of what is involved. Here are the tradition, and the fame, and the prosperity, and the purity, and the peace of a great Nation involved. For the time being we are that Nation, but the generations that are behind us are pointing us forward to the path and saying, 'Remember the great traditions of the American people,' and all those unborn children that will constitute the generations that are ahead will look back to us, either at those who serve them or at those who betray them. Will any man in such circumstances think it worthy to stand and not try to do what is possible in so great a cause to save a country, to purify a polity, to set up vast reforms which will increase the happiness of mankind? God forbid that I should either be daunted or turned away from a great task like this."

Woodrow Wilson was of heroic mold. There was something inherently great in his actions in his lifetime which did not allow us to go behind them. But now that he is dead we can penetrate the mystery, and, in a spirit of tolerance, we now understand things we never dreamed of before. To use the words of Emerson, he sought the heights "to which common duty can very well attain, to suffer and to dare with solemnity." But these rare souls set opinion, success, and life at so cheap a rate that they will not soothe their enemies by petitions or the show of sorrow, but wear their own habitual greatness. Scipio, charged with peculation, refuses to do himself so great a disgrace as to wait for justification, though he had the scroll of his accounts in his hands, but tears it to pieces before the tribunes. Socrates's condemnation of himself to be maintained in all honor in the *prytaneum* during his life and Sir Thomas Moore's playfulness at the scaffold are of the same strain. In Beaumont and Fletcher's *Sea Voyage* Julietta tells the stout captain and his company—

"JULETTA. Why, slaves, 't is in our power to hang ye.

"MASTER. Very likely,

"T is in our powers, then, to be hanged, and scorn ye."

How this couplet reminds me of Woodrow Wilson when he sought to express his scorn of the standpatism and the ultraconservatism of European diplomacy in these words: "There is only one thing you can not kill, and that is the spirit of free men. I was telling some friends to-day of a legendary story of the Middle Ages, of a chieftain of one of the half-civilized peoples that overran Europe, commanding some of his men to do a certain thing which they believed to be against the traditions of their tribe. They refused, and he blazed out upon them, 'Don't you know that I can put you to death?' 'Yes,' they said, 'and don't you know that we can die cursing you?' He could not kill their spirits; and he knew perfectly well that if he unjustly slew them the whole spirit of their tribe would curse him; they knew that if he did an unjust thing out of the blood that they spilt would spring up, as it were, armed men, like dragons' teeth, to overwhelm him. The thing that is vindicated in the long run is the right, and the only thing that is unconquerable is the truth."

And then his pride in the American soldier! Speaking of it in a speech delivered at Portland, Oreg., September 15, 1919, he said: "You have heard that spirited song of the blind Frenchman, his boy at the window, music in the streets, the marching of troops, and he says to the lad, 'See what that is. What do you see, lad? What are the colors? What are the men? Is there a banner with red and white stripes upon it? Is there a bit of heaven in the corner? Are there stars in that piece in the firmament? Ah, thank God, the Americans have come!'" Continuing, he said: "The American Army was a revelation to Europe of the heart of a great Nation, and they believe in that heart now. You never hear the old sneers. You never hear the old intimation that we will seek our interest and not our honor. You never hear the old fear that we shall not stand by free men else-

where who make common cause with us for justice to mankind. You hear, on the contrary, confident prediction, confident expectation, a confident hope that the whole world will be steadied by the magnificent purpose and force of the United States. If I were proud as an American before I went over there, I was infinitely more proud when I came back to feel that I could bring you this message."

Woodrow Wilson loved this State. New Jersey was the arena wherein he fought and won the initial skirmishes in his great battle for ideals and principles for whose vindication he spent his energies and, at last, freely gave the singular gift of life.

To him there were no people more lovable, more devoted. He loved New Jersey with the same passion and devotion that the French lavish upon the tricolor and the lilies. And New Jersey returned his affection by crowning him with her highest honors.

Woodrow Wilson's passing calls to mind the description by Bunyan in *Pilgrim's Progress* of Mr. Valiant-for-Truth:

"Then," said he, "I am going to my Father's; and though with great difficulty I am got hither, yet now I do not repent me of all the trouble I have been at to arrive where I am. My sword I give to him that shall succeed me in my pilgrimage, and my courage and skill to him that can get it. My marks and scars I carry with me, to be a witness for me that I have fought His battles who now will be my rewarder."

"When the day that he must go hence was come, many accompanied him to the riverside, into which as he went he said, 'Death, where is thy sting?' And as he went down deeper he said, 'Grave, where is thy victory?' So he passed over, and all the trumpets sounded for him on the other side."

#### TRANSACTIONS IN STOCKS OF THE DOHENY AND SINCLAIR COMPANIES.

Mr. WALSH of Montana. Mr. President, I desire to call attention to some correspondence put in the Record a few days ago by the chairman of the Committee on Public Lands and Surveys between himself and the governor of the New York Stock Exchange asking the assistance of that organization in the work the committee is conducting as to the leasing of the naval oil reserves, and particularly in running down transactions in stocks of the Doheny and Sinclair companies. I ask unanimous consent to have printed in the Record the article which I hold in my hand appearing in the New York Times of Sunday, February 10, by Samuel Untermyer, from which I read as follows:

If the committee fails to bore to the very bottom and to drag forth the real beneficiaries of the colossal stock-jobbing schemes, based upon treachery and greed, the responsibility will rest largely upon Congress itself.

The oil-lease investigators will come squarely up against a blank wall when they attempt to run to cover the big stock gamblers who profited to the extent of millions of dollars by these huge swindles. To the initiated in the tortuous machinery of the stock exchange the announcement that the exchange has been asked to produce its books is amusing. When the committee seeks to run down the dealings in these stocks and to trace the identities of the leaders who shared most heavily in the "rake-offs" they will be blandly told by the "eminently respectable" governors of the New York Stock Exchange that the exchange "keeps no books" and that "it has no records" of any of the billions of dollars of transactions on its floor.

The article urges the enactment by Congress of legislation subjecting this great market organization to the control and regulation of the Federal Government.

The PRESIDENT pro tempore. Is there objection to the request of the Senator from Montana? The Chair hears none, and it is ordered accordingly.

The article referred to is as follows:

DOUBTS PRODUCTION OF OIL-STOCK FACTS—UNTERMYER DECLARES INVESTIGATORS WILL FACE A BLANK WALL ON EXCHANGE SALES—SAYS NO RECORDS ARE KEPT—MEMBERS ALSO CAMOUFLAGE DEALS, HE CHARGES—BLAMES THIS ON LACK OF REGULATION.

PALM BEACH, FLA., February 9.—Nonregulation of stock exchanges by State or Federal Governments was charged by Samuel Untermyer to-day with being responsible for "the wretched series of scandals," as he termed the Teapot Dome and other oil-land investigations now being carried on by the Senate committee.

"The failure to get to the bottom of these affairs," he said, "will not be due to any lack of courage, industry, or ability on the part of the committee, which has able lawyers and investigators among its members, of whom Senator WALSH is the most conspicuous; nor will the failure be due entirely—though largely—to the unfamiliarity of the committee with the complicated, highly technical mechanism of stock-exchange operations, nor to the fact that the members of the committee have many other important duties and have neither the time nor the facilities for the character of preparation that is essential for such a task."

"If the committee fails to bore to the very bottom and to drag forth the real beneficiaries of the colossal stock-jobbing schemes, based upon treachery and greed, the responsibility will rest largely upon Congress itself.

"The oil-lease investigators will come squarely up against a blank wall when they attempt to run to cover the big stock gamblers who profited to the extent of millions of dollars by these huge swindles. To the initiated in the tortuous machinery of the stock exchange the announcement that the exchange has been asked to produce its books is amusing. When the committee seeks to run down the dealings in these stocks and to trace the identities of the leaders who shared most heavily in the 'rake-offs' they will be blandly told by the 'eminently respectable' governors of the New York Stock Exchange that the exchange 'keeps no books' and that 'it has no records' of any of the billions of dollars of transactions on its floor.

#### SAYS IT KEEPS NO RECORDS.

"It is the most powerful and far-reaching agency in existence, whose quotations of prices are accepted as conclusive by the courts and the public bodies of the entire country, and yet it carefully refrains from keeping any account of these transactions. Although the stock exchange exercises the most autocratic and far-reaching powers of any institution on earth, vitally affecting the entire financial structure of the country, the committee will be told that the exchange is engaged in no business whatever and that its sole function is to furnish a meeting place where its members may deal in securities with one another.

"The public will also learn that while the members of the exchange are required to appear and testify, and their books and inner business secrets must be at all times open to the most rigid scrutiny of the governors of the exchange and their experts, on pain of instant expulsion and financial and social ruin, their testimony and their books are closed to Congress and its committees and to the courts and other public departments of the Government, Federal and State, except on the impossible condition that its law-breaking members are given complete immunity from prosecution—all of which unthinkable conditions are directly due to the persistent and unpardonable refusal of Congress to place the public transactions of this vast international financial institution and its members under public regulation and supervision.

"That the exchange can be subjected to Federal regulation there is no question. It has the exclusive distribution of its quotations from its floor, through its own agencies and always under its control; to every corner of the world, through the use of the mails, telegraph, and telephone, in international and interstate commerce; and yet it insists it is not a public agency and that its operations must remain above and beyond the law—a law unto itself.

"If the committee ever secures access to the private books of innumerable brokerage houses through whom the dealings in these oil stocks were conducted, it will find wholesale manipulation, blind pool accounts, so-called 'numbered' accounts behind which the identities of the customers will be concealed, private ledgers that form no part of the general bookkeeping scheme of the brokerage houses, and other features devised with the approval of the exchange having for their purpose the concealment of the identities of the chief actors in these transactions.

#### SEES THE COMMITTEE HELPLESS.

"It may be that in view of the wide public interest in these disclosures the governors of the exchange will at last awaken to the fact that, in order to 'save their skins' against the much-needed and greatly-dreaded public regulation of the exchange, they will, on this occasion, graciously condescend voluntarily to cooperate with the committee by commanding their members to make the disclosures which the committee will otherwise be helpless to secure, in which event the committee may hope for a fair measure of success. If, however, the governors continue their past policy of obstruction and insistence on their legal right to defy and circumvent investigation except on condition of complete immunity, in which they have thus far been upheld by the courts solely because Congress has permitted them to enjoy immunity from regulation, the committee will find itself helpless.

"The political power of these men over exchange and public officials has been and is so great and far-reaching that, in the face of the daily swindles that have been exposed of failing stock exchange brokers and promoters and in the face of the daily brazen manipulation of securities on the exchanges, these men have thus far successfully defied and defeated all efforts at State regulation and will doubtless be permitted to continue to do so.

"Legislative committees, district attorneys, and other public officials have pleaded with the Legislature of the State of New York in vain for laws to protect the public. That battle has been definitely lost. The exchange has proven itself more powerful than the people of the State, which is equally true of the profiteers in the necessities of life, and of the fire and casualty companies and their lobbies in the State capitol.

"The subject of supervision and control of stock exchanges, stock brokers, and stock promoters is one that comes legitimately under the control of Congress, and there lies the real remedy. If the futility of

the present inquiry in this direction should at last focus public attention on this scandalous situation and so spur Congress to action, the Lenroot committee will have scored its greatest triumph."

#### PROSECUTION IN CONNECTION WITH LEASES OF NAVAL OIL LANDS.

Mr. WALSH of Montana. Mr. President, I have received from Mr. Untermyer, under date of January 29, a telegram apropos of the nomination submitted to the Senate a short time ago and of the bill which will come before the Senate from the House making appropriation for the prosecution of the litigation in connection with the naval oil leases, which I ask be read from the desk.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and the Secretary will read the telegram.

The reading clerk read as follows:

PALM BEACH, FLA., January 29, 1924.

Senator WALSH of Montana,

Senate Office Building, Washington, D. C.:

May I not express the hope that you as a leader of our bar will take this opportunity to publicly repel on Senate floor the unflattering and unjust implications against our profession involved in yesterday's House resolution appropriating \$100,000 for employment of counsel for Government in attacking fraudulent and unauthorized oil leases. It is not necessary to pay lawyers for such public services; the contrary assumption is a grave and unwarranted reflection on our public spirit. There is hardly a prominent lawyer in America who would not esteem it a privilege to perform such service without pay. We are not as a class less patriotic than leading physicians whose custom it is to contribute large proportions of their valuable time and skill to hospital work, nor than you and your distinguished associates who are making vast financial sacrifices in the public interest. The custom of paying lawyers or of their accepting pay for such service is vicious, degrading, and wholly unnecessary; it cheapens the quality of the service. Our bar leaders command such large professional incomes that they can well afford, and I know they are ever ready and anxious, to contribute to public service without pay; most of them would much prefer to serve under that condition; the contrary assumption is insulting to our profession. The false impression concerning us that has arisen from this vicious custom should be corrected. This is our opportunity and no one is better qualified to teach that lesson than yourself.

SAMUEL UNTERMYER.

#### LOANS FOR SPECULATIVE PURPOSES.

Mr. KING. Mr. President, in view of the statement made by the distinguished Senator from Montana [Mr. WALSH] with respect to the New York Stock Exchange, I desire to invite the attention of the Senate to the fact that on the 11th day of December last I offered a resolution (S. Res. 57) asking for an investigation of the stock exchange and various other agencies, brokerage houses, and so forth. That resolution is now before the Committee on Finance. I have also prepared two bills supplemental to the resolution, which I did not care to introduce, however, until the investigation had been held. In view of the information which we are receiving, and in view of the necessity of such an investigation, I hope that the chairman of the Finance Committee may call the committee together at an early date in order that the resolution may be considered.

#### VIEWS OF EX-SENATOR THOMAS ON OIL LEGISLATION.

Mr. BRANDEGEE. Mr. President, I ask permission to have inserted in the RECORD a letter to the editor of the New York Times by ex-Senator C. S. Thomas entitled "Ex-Senator Thomas reviews the act of Congress authorizing the leasing of naval reserves." The article was alluded to by one speaker the other day, and it gives Senator Thomas's opinion as to the validity of the leases. I think it would be interesting to have it in the RECORD.

The PRESIDENT pro tempore. Without objection, the article will be printed in the RECORD as requested.

The article is as follows:

[From the New York Times, Monday, February 11, 1924.]

#### OIL LEGISLATION—EX-SENATOR THOMAS REVIEWS THE ACT OF CONGRESS AUTHORIZING THE LEASING OF NAVAL RESERVES.

To the Editor of the New York Times:

Your editorial of February 1 very properly points to the statute under whose authority the notorious naval reserve leases and agreements were made between the Government and the Sinclair and Doheny companies, and for whose enactment the Congress is responsible. Your comment is both timely and appropriate, since the second preamble of the Senate joint resolution affirms that the leases and contracts were entered into "without authority to act in the execution thereof for the United States, and in violation of the laws of Congress"; an attitude which was uniformly assumed during its discussion, although questioned by Senator COUZENS of Michigan.

If this preamble be sound, the leases and contracts are void, irrespective of official misconduct. That would be only an added aggravation, not at all essential to a decree of annulment. Hence, it would seem to follow that this misconduct, however reprehensible, only served to promote the execution of agreement void ab initio. With great respect for the very able lawyers upon the investigating committee, I am convinced that this conclusion is erroneous.

The validity of these transactions from the viewpoint of the law can be fairly determined if the subject is considered independent of its sordid and disgraceful history. This naturally involves the origin and purpose of the statute of June 4, 1920, which alone applies to the subject.

Prior to its enactment the Navy Department had consistently declined all suggestions for development of the naval reserves, although the sinking of offset wells had long been obviously required for their conservation. Rightly or wrongly it pursued the policy of maintaining the reserves intact for future needs. Meanwhile, efforts to secure legislation under which public oil lands, exclusive of the naval reserves, could be developed and outstanding claims thereto adjusted, beginning in 1913, finally culminated in the so-called leasing act of February 25, 1920. Under this law leases were available for all such lands, including those bounding the naval reserves, from which increased drainage and loss of gas pressure would inevitably follow the sinking of near-by wells.

The Secretary of the Navy, therefore, on March 5, 1920, presented to the House Committee on Naval Affairs a proposed rider to the pending naval bill, which—

*“Provided, That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become vested in the United States; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and to use, store, exchange, refine, sell, or otherwise dispose of the oil and gas products thereof, and those from all royalty oils, for the benefit of the United States: And provided, That such sums as have been or may be turned into the Treasury of the United States from royalty on lands within the naval petroleum reserves prior to July 1, 1921, not to exceed \$500,000, are hereby made available for this purpose until July 1, 1922,”* etc.

In a letter to the chairman, Secretary Daniels very clearly outlined the conditions which the proposed legislation was designed to meet. Referring to the leasing act passed in February, he declared that some of the tracts within the reserves would require “the Government to drill offset wells unless oil to the value of millions of dollars is to be drawn from Government lands by private owners.”

He also referred to the recent experience of the Shipping Board and the Navy Department in obtaining bids for fuel oil, which showed the necessity for the Government to be in a position to furnish its own supply of fuel, and concluded that “It therefore becomes imperative, even when viewed from an economical standpoint, that machinery be provided whereby wells may be drilled for protection against drainage from adjacent lands or to provide for the Government’s needs. That crude oil, whether from the Navy-owned wells, royalties from naval reserves, or royalty oil purchased, may be exchanged for refined products, and that excess oil from protective wells may be sold or storage provided for excess oil if considered advisable.”

The rider was incorporated in the bill and passed the House without verbal change. In the Senate three changes, all suggested by Senator Smoot, were made, the principal ones being the elimination of the word “refine,” thus denying to the department the right to go into the business of manufacturing oil products, and the words “or otherwise disposed of,” which seemed redundant. It was then passed as an integral part of the Navy act of that year, and reads thus:

*“Provided, That the Secretary of the Navy is directed to take possession of all properties within the naval petroleum reserves as are or may become subject to the control and use by the United States for naval purposes and on which there are no pending claims or applications for permits or leases under the provisions of the leasing act or pending applications for United States patent under any law; to conserve, develop, use, and operate the same in his discretion, directly or by contract, lease, or otherwise, and use, store, exchange, or sell the oil and gas products thereof, and those from all royalty oil from lands in the naval reserve for the benefit of the United States,”* etc.

The act also made “such sums as have been or may be turned into the Treasury of the United States from royalties on lands within the naval reserves prior to July 1, 1921, not to exceed \$500,000” available for the purpose until July 1, 1922. This modest sum was doubtless designed to meet the initial expense of well drilling should the department determine to operate the reserves “directly.” It was too small to serve any other purpose.

The so-called fixed policy of naval reserve administration hitherto prevailing was radically changed by this statute, which must have been the intention of Secretary Daniels. His letter to the chairman of the House committee so declares in specific terms. And it has that effect, whether so intended or not. It is also to be observed that the Senate amendments did not enlarge, but restricted the powers which the

Secretary asked the Congress to confer upon his department. It was not permitted to refine the oil, but substantially everything else asked for by the Secretary was granted. And its provisions are very broad, as Mr. Daniels desired them to be. Indeed, it is difficult to conceive of phraseology that could make them broader.

They clothed him and his official successors with unrestricted authority to conserve, to develop, to use, and to operate all the reserves, or any of them, or any parts of them, in his discretion, either directly or by contract, by lease or otherwise. He was empowered to use, to store, to exchange, or to sell the oil and gas products thereof, as well as all royalty oil from lands in the naval reserves. The only condition attached to the disposition of these products is that it shall be “for the benefit of the United States,” and the Secretary is made judge of that.

It can not be successfully denied that the law embodies the authority to do whatever may be necessary to make these expressed powers effective. To store the oil, or the fuel oil for which it may be exchanged, storage facilities are essential. Hence oil may be “used” or “exchanged” for such facilities to the extent required. To equip the Secretary with such power of control and operation and to deny him the use, if need be, of part of the proceeds of development for conserving or storing the remainder would be to defeat the prime object of the law. No such limitation is expressed, and none seems to be implied.

Per contra, the right to “exchange” oil and gas products is expressly given. This right can not be restricted in scope or in effect to the trading of crude for fuel oil and gasoline; for that would not only deny to the word its ordinary legal definition, but would seriously limit the “discretion” with which the act vests the Secretary. The exchange of a product differs widely from its sale. There is a wealth of authority upon the subject. A sale involves a money consideration for the thing sold, while “an exchange, as distinguished from a sale, is a contract whereby specific property is given in consideration of the receipt of property other than money.” The “use,” therefore, of part of the product of the reserves by exchanging it for storage facilities is entirely within the discretionary authority conferred by the act upon the Secretary.

The Secretary may “store” the oil product of the reserves if in his judgment it is desirable or expedient to do so. But storage facilities are essential if a storage policy be adopted, and it would be a reflection upon the lawmaking power to assume that it would create a specific authority and withhold the means for making its exercise effective, especially when such an assumption is inconsistent with other provisions of the statute.

Congress might, of course, have specifically limited the Secretary’s discretion, as it might have limited his power to lease the reserves and dispose of the proceeds; but it did not do so. It did not even debate the question. It might have stricken the storage clause from the bill, or inhibited the “use” of oil for the acquisition of storage needs. It might have required the Secretary to apply to it for appropriations for tank construction. But it did none of these things. On the contrary, it empowered him to store, sell, use, or exchange oil as he should deem best for the benefit of the United States. The contracts actually made are therefore supported both by the language of the act and as an essential incident to the storage of oil.

Had the Secretary determined to develop and operate the reserves instead of leasing them he certainly could have used the oil and gas for securing pipe-line storage and other needed facilities. He may, therefore, contract with another to do so in a similar way on similar terms.

To say that this is extraordinary does not change the conclusion. The condition was extraordinary; so was the subject. The situation was novel. The displacement of coal by oil for fuel is both novel and revolutionary. It must be available in large quantities at all times if the Navy shall properly function. The difficulty of securing it at decent rates had been experienced, and Congress was told that “it had become imperative that machinery be provided whereby wells may be drilled to supply oil for the Government’s needs.” In dealing with the subject the department and the Congress cooperated for a common and vastly important end, involving both protection of lands against drainage already partially depleted of oil and threatened with a further depletion “to the value of millions of dollars,” and obtaining a reserve of fuel oil for naval consumption. It would seem demonstrable, therefore, that if the policy of naval reserve leases and contracts is wrong the law authorizing it is wrong also. It constitutes the genesis of the entire procedure, and entails a consequent responsibility for that policy upon the lawmaker. As a Member of the Senate at the time, I fully indorsed Secretary Daniels’s recommendation and voted for his amendment. I thought he should have made it long before.

These leases should have been made to the highest bidder upon open competition. But the law did not command it. They may be, and probably were, inexpedient, one-sided, and unduly liberal. But that can not impair their legality. The validity of the Executive order committing the administration of the act to the Secretary of the Interior is another and far graver question. Although not wholly without precedent, it was an extraordinary exercise of authority, difficult, if not

impossible, of defense. He is a bold man who would assert that by a stroke of the pen the President may transfer from one department to another the administration of a great public trust created and committed by law to the control of a designated trustee. But for the signature of the Secretary of the Navy to the agreements in question they would probably have no standing, even in a court of equity.

Moreover, that fraud which vitiates all things seems to have saturated the agreements with its poison, thereby enabling the Government to annul them. In discovering and exposing these conditions the Public Lands Committee, and Senator WALSH in particular, have rendered the country an invaluable service for which they can not be too highly commended. The act of June 4, 1920, however, admits of a single interpretation, whatever be the fate awaiting the leases and contracts negotiated by means of it, or of the men who availed themselves of it to betray a great trust and traffic in public affairs for private gain.

This view of the statute in no wise reflects upon the lawmaking branch of the Government. The enactment of the statute is highly creditable both to the Secretary who urged and the Congress which enacted it, for it is perfectly obvious that the naval need for oil, should a crisis in national affairs be developed, can not be supplied from virgin reservoirs in distant reserves, but solely from fuel oil in storage at the seaboard and immediately available. It is not the law but its prostitution by those charged with its administration which is challenged by the pending inquiry and which will determine the integrity of the agreements under consideration.

C. S. THOMAS.

WASHINGTON, February 7, 1921.

EDITORIALS ON THE POLITICAL SITUATION.

Mr. WHEELER. Mr. President, I ask unanimous consent to have printed in the RECORD two editorials from the *Tulsa World*, the leading Republican paper in the State of Oklahoma.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

AS TO PRESIDENT COOLIDGE.

The World has been mildly censured by various ones for its rather stern criticism of President Coolidge in the oil-reserve scandal.

Therefore, honesty apparently calls for specifications. What the World has thought of Calvin Coolidge is a matter of indelible record—in its files.

It believed in him as Governor of Massachusetts. It believed in him when he was nominated for the Vice Presidency. It believed in him again when he was suddenly and very unexpectedly elevated to the Chief Magistracy of the Government. It began to doubt him when he took over the handicap of Daugherty and retained that questionable influence in his administration as President.

If one is to get anywhere, one must be thoroughly honest regardless of finesse or diplomacy. Daugherty and Daughertyism were the greatest faults of the Harding administration. Yet, Harding did have some excuse for leaning heavily upon the "miracle man" from Ohio. Coolidge had no such excuse.

There is not a newspaper in the United States that we have ever read—and some hundreds are perused to ascertain the drift of public opinion—but held Daugherty as the weak link in the Harding chain. It is relating no secret to say that the country as a whole not only hoped for but expected the elimination of Daugherty when Calvin Coolidge ascended to the Presidency. Rightly or wrongly he was considered the corrupt influence, the debasing quality in the Harding administration. And, rightly or wrongly, the country felt that his elimination would be brought about by Coolidge, if Coolidge was the righteous man of honor and sincere patriot the country had previously believed him to be.

When Daugherty was retained the country became dissatisfied if not suspicious. The World believes it states the absolute fact when it says that the country believes Harry Daugherty alone is at the bottom of Teapot Dome and every other questionable transaction and procedure of the Harding and Coolidge administrations. Even in the judgeship contest here in Oklahoma the presidential protest against making a Federal judgeship a matter of partisan politics was made to appear hollow and tragically insincere by the final naming of a man who should have been the last of at least a dozen superbly splendid men, and who, in the common understanding of Oklahomans, was named finally because he had brothers in Alabama who are ostensible members of the Alabama delegation to the next Republican National Convention.

Did Coolidge do this, or did Daugherty without Coolidge's knowledge? Frankly, we don't know. But in either event the incident is not one to inspire confidence or trust. We make no charge against Justice Kenamer, whose nomination is now pending before the Senate Judiciary Committee. What we do say is that his nomination, in the circumstances, is an insult to men of established reputation, and against whom not one single scintilla of wrongdoing can be charged. And yet he is faced with charges of the most serious character. Both Coolidge and

HARRELD have something to answer for in this respect! For both put this stain upon the citizenship of Oklahoma—that after months of quibbling and evading and dodging, with a list of splendid available men before them, no man could be found qualified to occupy the Federal bench save one who must needs defend himself against charges of the most serious nature.

The country wants to believe in Calvin Coolidge, especially the Republicans of the Nation. But how long will such a sentiment last in the face of an evident Coolidge disposition to not only retain Daugherty in the Cabinet but accord him primacy in political matters?

Calvin Coolidge can not carry Daugherty indefinitely without forfeiting the respect and confidence of men whose support he ought to have—must have—if he is to realize his ambition. He may win the nomination in spite of all protests, but what profiteth it a man if he gain the nomination only to lose the election?

LET'S BREAK DOWN AND BE HONEST.

Occasionally the World feels like disregarding all conventions, all political considerations, and all hypocrisy.

This is one of those times. The sun is shining outdoors. The skies, as blue and serene as on that morning when Adam was first turned loose in the Garden of Eden, looks down upon a physically perfect world. The immutable laws of nature are working with that meticulous perfection which has ever since been the salvation of man in his eternal quest for subsistence and happiness. In short, the world remains as in the beginning, a perfect complement to man and his needs—were it not for the ambitions and the vices of man himself!

Therefore we feel in a mood to "talk turkey" for the good of our immortal soul—and the souls of others who may be attuned to the same chord. Therefore let us dissertate upon the subject of the moment—presidential ambitions and national oil reserves.

A syndicate writer of considerable renown, who has studied the art of saying things succinctly and then running away from the corollary of his argument—an art that should by no means be despised, since it relieves one of all responsibility—said the other day that had Roosevelt been present he would have dispatched a warship for Harry Sinclair if there had been any law permitting him to do so; and would have certainly dispatched a warship for Harry Sinclair if there had been no law forbidding such an act—merely calling attention to the most gripping scandal that has grasped the imagination of this country since Wilson returned from Versailles with his proposal to abdicate national traditions and aspirations in our embracement of idealism with its pink-hued clouds and its mirage of translucent and damphoolish internationalism!

This writer was merely thinking of Sinclair—and overlooking weightier matters. The World isn't thinking of Sinclair at all—except as a former Tulsan and friend. What it is thinking of this morning is presidential aspirations, presidential inconsequentialities, and presidential conspiracies! It is to be assumed that there are thousands of men—ready and willing to gain whatever they may at the cost of the State—and the capitalization is thoughtfully adopted. But there is only one State—and again the capital is used advisedly.

We elect certain men to protect the State and its possessions against the numerous mercenaries who have always been presupposed to exist from the days of the barons and brigandage down to the present. And after we have elected them we consecrate those men by administering to them an oath that ought to solemnize the proceedings and ought to, in fact, consecrate them to the service of the State.

It is when these men we have chosen in the wisest, the best, and the safest way the mind of man has yet designed, play fast and loose with their great charge and harken to the serene voice of some mercenary, who in a sense has a perfect right to yield to his cupidity, that we come suddenly face to face with most serious reflections. It is not that we are at all fearful of the Dohenys of big business, but that we are forced to lose faith in our political system and in the virtue of those who make pretense of wanting to stand as our agents for that political system, and who take solemn oath so to do, then betray that oath and us.

If we are really honest this morning, if that honesty of purpose takes us out of the unsafe zone of partisan thinking, we must confess that the Coolidge presidential boom is limping badly and ought to limp badly. Let it be said that the national oil reserve scandal was the handiwork of the Harding administration and that Calvin Coolidge had nothing whatever to do with it. What then?

Must we not face the unescapable fact that the Harding Cabinet and the Harding administration were both largely the creation of Harry Daugherty, the millstone on Harding from the first; and that Coolidge, coming to the Presidency, deliberately took on that millstone and as certainly became particeps criminis in all that went before as well as all that has occurred since?

It is not that folk fear a term of Coolidge so much as they fear two terms of Harry Daugherty as directing head of the executive department of the United States Government. Since we have but or Government, we are justified in being very careful who we intrust it

There is a major opinion in the United States—we think it is tremendously major—that Coolidge should have welcomed the opportunity to relieve himself of the man Daugherty when he inherited the Presidency; that he should have then and there proven himself a leader, and in a mild, yet firm, manner should have served notice on the country that while he would continue the Harding policies so far as they referred to the general conduct of the Executive's office, he would not handicap himself by taking on what was universally admitted was a Harding weakness—the Harding subordination to the Ohio politician in the Attorney General's office.

That this tremendous weakness did exist is now abundantly proven, and only the half of truth has emerged from its hiding. Coolidge stock has gone down with a crash. Likewise Republican stock has gone down. At this moment, looking the facts in the face with honest courage, one is forced to admit that if the conspiracy to force Coolidge on the Republican Party and the country is persisted in, and the conspiracy can be made to win through the advantageous use of the Executive authority with southern delegates, such as appointing a judge in Oklahoma because the delegates or prospective delegation from Alabama indorsed him—if the conspiracy to force Coolidge at any cost is persisted in, the history of 1912 will be repeated in 1924.

You see there is but one State in this country and lots of Dohenys and Falls and Daugherties. We can't afford to take too many chances with that one State, even though it requires us to abdicate our party pride, our party loyalty, and our prejudices inherited from our ancestors to safeguard it. We will have prosperity, and there's the rub.

#### PETITIONS.

Mr. STANLEY (for Mr. ERNST) presented petitions of sundry citizens in the State of Kentucky, praying that the United States participate in the Permanent Court of International Justice, which were referred to the Committee on Foreign Relations.

Mr. DILL presented a petition of sundry citizens in the State of Washington, praying for the repeal or reduction of the so-called nuisance and war taxes, especially the tax on industrial alcohol, which was referred to the Committee on Finance.

Mr. ROBINSON presented a resolution adopted by the board of governors of the Little Rock (Ark.) Board of Commerce, urging that no amendment be made to the transportation act of 1920, which was referred to the Committee on Interstate Commerce.

He also presented a petition of F. J. Speiser, secretary of the strike committee, Missouri Pacific Federation No. 2, of North Little Rock, Ark., praying for the repeal of the so-called Esch-Cummins transportation act and abolition of the Railroad Labor Board, which was referred to the Committee on Interstate Commerce.

Mr. FESS presented a paper signed by sundry citizens of Cincinnati, Ohio, approving the President's stand on tax reduction and the soldiers' bonus, which was referred to the Committee on Finance.

He also presented petitions, numerous signed, of sundry citizens of Piqua, Ohio, praying for the passage of legislation reducing taxes, which were referred to the Committee on Finance.

He also presented a petition of sundry citizens, being presidents of various Italian associations in the city of Youngstown, Ohio, praying that the 1920 census be used as a basis for determining the quota of immigrants instead of the 1890 census, which they state would be discriminatory, which was referred to the Committee on Immigration.

He also presented a petition of sundry citizens of Richland County and Mansfield, Ohio, praying for the passage of legislation creating the upper Mississippi wild-life and fish refuge, which was referred to the Committee on Commerce.

He also presented resolutions adopted at the annual meeting of the Belmont County (Ohio) Farm Bureau, favoring acceptance of the bid of Henry Ford for the Muscle Shoals plant, and the passage of other legislation beneficial to the farmers, which were referred to the Committee on Agriculture and Forestry.

He also presented petitions of sundry citizens of Bucyrus and Napoleon, Ohio, praying for the repeal or reduction of the so-called nuisance and war taxes, especially the tax on industrial alcohol, which were referred to the Committee on Finance.

He also presented a resolution adopted by citizens of Bellefontaine, Ohio, in mass meeting assembled, favoring the passage of legislation granting adjusted compensation to veterans of the World War, which was referred to the Committee on Finance.

He also presented a petition of sundry citizens of Toledo, Ohio, praying for the passage of legislation granting adjusted

compensation to veterans of the World War, which was referred to the Committee on Finance.

Mr. NORBECK presented petitions and papers in the nature of petitions of sundry citizens and postal employees of Yankton, Brookings, and Huron, all in the State of South Dakota, and of St. Paul, Minn., and Sioux City, Iowa, praying for the passage of legislation increasing the compensation of employees in the Postal Service, which were referred to the Committee on Post Offices and Post Roads.

He also presented the petition of Mrs. John Elder and 61 other members of the Ladies' Aid Society, Methodist Episcopal Church, of Timber Lake, S. Dak., praying for an amendment to the Constitution regulating child labor, which was referred to the Committee on the Judiciary.

He also presented the petitions of J. H. Johnson and 113 other citizens of Mount Vernon and vicinity, and of Charles J. Deiter and 133 other citizens of Redfield and Spink County, all in the State of South Dakota, praying for the passage of Senate bill 2012, creating an agricultural export commission, which were referred to the Committee on Agriculture and Forestry.

#### BILLS INTRODUCED.

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

By Mr. NORBECK:

A bill (S. 2502) granting an increase of pension to Eben W. Troupe (with accompanying papers); to the Committee on Pensions.

A bill (S. 2503) for the relief of W. H. King (with accompanying papers); to the Committee on Claims.

By Mr. EDGE:

A bill (S. 2504) fixing the grade upon retirement of certain officers who served in the war with Spain, the Philippine insurrection, or the Boxer rebellion, and the war against Germany; to the Committee on Naval Affairs.

#### NAVAL COAL RESERVES IN ALASKA.

Mr. LA FOLLETTE. I submit a resolution which I ask may lie on the table and be printed.

The resolution (S. Res. 160) was ordered to lie on the table and to be printed, as follows:

*Resolved*, That the Secretary of the Interior is directed to send to the Senate:

(a) A copy of the agreement between the Secretary of the Interior and the Secretary of the Navy regarding the transfer of the naval coal reserves in the Territory of Alaska from the Navy Department to the Department of the Interior.

(b) All Executive orders and other papers in the files of the Department of the Interior and its bureaus, or copies thereof if the originals are not in the files, authorizing the transfer, including all correspondence embodying or concerning all agreements, instructions, and requests by the Navy Department as to the disposition of said naval coal reserves and properties thereon.

(c) All correspondence, opinions, and papers showing and concerning the legality for the leasing of said naval coal reserves, as stated by the Secretary of the Interior, in view of section 2 of an act to provide for the leasing of coal lands in the Territory of Alaska, etc., approved October 20, 1914 (38 Stat. 741).

(d) All leases, applications for leases of said naval coal reserves, and correspondence relating thereto.

#### ADDITIONAL CLERKS TO SENATORS.

Mr. REED of Pennsylvania submitted the following resolution (S. Res. 161), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

*Resolved*, That to each Senator (other than chairmen of committees to which additional clerks have been assigned) from a State having a population in 1920 of more than 5,000,000 persons there shall be allowed an additional clerk to be paid at the rate of \$2,400 per year; and, in addition thereto, to each such Senator from a State having a population in 1920 of more than 8,000,000 persons there shall be allowed an additional clerk to be paid at the rate of \$1,800 a year. The salaries of such clerks shall be paid from the contingent fund of the Senate. Such clerkships shall continue during the Sixty-eighth Congress.

#### AMERICAN PROSPERITY AND PEACE (S. DOC. NO. 51).

Mr. MCKINLEY. I present an address delivered by Senator MEDILL McCORMICK, of Illinois, on January 28, 1924, before the Woman's City Club of Chicago, Ill., on the subject of American prosperity and peace, which I ask be printed as a document.

The PRESIDENT pro tempore. In the absence of objection, the address will be printed as a Senate document.

## INTERIOR DEPARTMENT APPROPRIATIONS.

The PRESIDENT pro tempore. The unfinished business, House bill 5078, is before the Senate and will be proceeded with.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 5078) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1925, and for other purposes, which had been reported from the Committee on Appropriations with amendments.

Mr. CURTIS. I move that the Senate adjourn.

The motion was agreed to; and (at 6 o'clock and 7 minutes p. m.) the Senate adjourned until to-morrow, Saturday, February 16, 1924, at 12 o'clock meridian.

## NOMINATIONS.

*Executive nominations received by the Senate February 15 (legislative day of February 13), 1924.*

## SPECIAL COUNSEL FOR PROSECUTION OF CERTAIN OIL LEASES.

Owen J. Roberts, of Pennsylvania, to be special counsel to have charge and control of the prosecution of litigation in connection with certain leases of oil lands and incidental contracts as provided in Senate Joint Resolution 54, approved February 8, 1924.

## SURGEON GENERAL, PUBLIC HEALTH SERVICE.

Hugh S. Cumming to be Surgeon General of the Public Health Service. Reappointment; present term expires March 8, 1924.

## RECEIVER OF PUBLIC MONEYS.

Alfred Hogensen, of Idaho, to be receiver of public moneys at Boise, Idaho; vice Frank B. Kinyon, whose term expires February 19, 1924.

## REGISTER OF THE LAND OFFICE.

J. Lindley Green, of Alaska, to be register of the land office at Anchorage, Alaska, vice Frank A. Boyle, resigned.

## COAST AND GEODETIC SURVEY.

*To be aids, with relative rank of ensign in the Navy, by promotion from junior engineer.*

Edwin Jay Brown, of Michigan, vice A. W. Skilling, promoted.

Glendon Edwin Boothe, of New Mexico, vice Donald W. Taylor, promoted.

Earle Andrew Deily, of Pennsylvania, vice J. F. Downey, jr., promoted.

Leonard Sargent Hubbard, of Massachusetts, vice H. L. Bloomberg, promoted.

Walter Herbert Bainbridge, of Texas, vice Charles Pierce, promotion requested.

John Carlos Bose, of Texas, vice Alfred Ogram, promotion requested.

*To be aids, with relative rank of ensign in the Navy, by promotion from deck officer.*

John Walter Smith, of Virginia, vice R. W. Byrns, promoted.

Hubert Alexander Paton, of Arkansas, vice H. W. Tyler, promotion requested.

Robert Crysler Wilson, of New York, vice C. D. Baker, promotion requested.

*To be junior hydrographic and geodetic engineers, with relative rank of lieutenant (junior grade) in the Navy, by promotion from aid with relative rank of ensign in the Navy.*

Henry Ward Tyler, of New York, vice Herman Odessey, promoted.

Charles Pierce, of Massachusetts, vice J. S. Rosenthal, resigned.

Charles Duncan Baker, of Nevada, vice R. R. Moore, promoted.

Alfred Ogram, of Georgia, vice F. L. Gallen, promoted.

Frank Lerner, of Kansas, vice L. M. Mower, resigned.

Thomas Bernard Reed, of Kansas, vice E. F. Lewis, resigned.

Robert Walker Knox, of Washington, vice H. W. Hemple, promoted.

Jacob Acil Kibler, of Kansas, vice C. M. Durgin, promoted.

Hibbert Morse Hill, of Minnesota, vice A. G. Katz, promoted.

## APPOINTMENTS, BY TRANSFER, IN THE REGULAR ARMY.

## CHEMICAL WARFARE SERVICE.

Maj. Edward Fuller Witsell, Infantry, with rank from July 1, 1920.

Maj. Paul Xavier English, Infantry, with rank from July 1, 1920.

## FIELD ARTILLERY.

Capt. Howard Winthrop Turner, Infantry, with rank from July 1, 1920.

## COAST ARTILLERY CORPS.

Second Lieut. Bordner Frederick Ascher, Air Service, with rank from June 12, 1923.

## AIR SERVICE.

Capt. Robert Chapin Candee, Cavalry (detailed in Air Service), with rank from January 11, 1919.

Second Lieut. John Sharpe Griffith, Infantry (detailed in Air Service), with rank as prescribed by the act of June 30, 1922.

## PROMOTIONS IN THE NAVY.

## MARINE CORPS.

The following-named noncommissioned officers in the Marine Corps to be second lieutenants in the Marine Corps for a probationary period of two years, from the 9th day of February, 1924:

|                               |                           |
|-------------------------------|---------------------------|
| Corpl. Richard Fagan.         | Sergt. William W. Conway. |
| Corpl. James E. Jones.        | Corpl. Clyde Shoemith.    |
| Corpl. Theodore A. Holdahl.   | Corpl. Robert J. Mumford. |
| Corpl. Ernest E. Shaughnessy. | Sergt. Paul A. Curtis.    |
| Sergt. Lewis B. Puller.       | Sergt. Albert D. Cooley.  |

## CONFIRMATIONS.

*Executive nominations confirmed by the Senate February 15 (legislative day of February 13), 1924.*

## MEMBER OF THE MISSISSIPPI RIVER COMMISSION.

Jerome O. Christie, of Illinois.

## COAST AND GEODETIC SURVEY.

*To be aids, with relative rank of ensign in the Navy.*

|                           |                          |
|---------------------------|--------------------------|
| Bruce Edward Lancaster.   | Isidor Rittenburg.       |
| John Alexander McCormick. | George William Tatchell. |
| Daniel Fivel.             | Kenneth Gleason Crosby.  |
| William Gibson Craib.     | Herschel Bast Brown.     |
| William Isaac Brown.      |                          |

## PROMOTIONS IN THE ARMY.

Duncan Kennedy Major, jr., to be colonel, Infantry.

James Justice to be colonel, Infantry.

Llewellyn William Oliver to be colonel, Cavalry.

Arthur Sydney Crown to be colonel, Signal Corps.

Reginald Edwards McNally to be colonel, Cavalry.

Ephraim Geoffrey Peyton to be colonel, Infantry.

William Lewis Reed to be colonel, Infantry.

Albert N. McClure to be colonel, Quartermaster Corps.

Edwin Albert Hickman to be colonel, Finance Department.

William Elliott to be colonel, Quartermaster Corps.

Andrew Jackson Dougherty to be colonel, Infantry.

Oliver Stevens Eskridge to be colonel, Infantry.

Joel Robert Lee to be colonel, Infantry.

George Evans Stewart to be colonel, Infantry.

Henry Aloysius Hanigan to be colonel, Infantry.

James Wadsworth Furlow to be colonel, Field Artillery.

John Womack Wright to be colonel, Infantry.

Frederick Rudolph de Funiak, jr., to be colonel, Infantry.

Ralph McCoy to be colonel, Infantry.

Grosvenor Lowrey Townsend to be colonel, Infantry.

Thomas Leverett Brewer to be colonel, Infantry.

James Kelly Parsons to be colonel, Infantry.

Sam Pruitt Herren to be lieutenant colonel, Infantry.

Fay Warrington Brabson to be lieutenant colonel, Infantry.

Royden Eugene Beebe to be lieutenant colonel, Infantry.

Edward Appleton Keyes to be lieutenant colonel, Cavalry.

John Gano Winter to be lieutenant colonel, Cavalry.

William James O'Loughlin to be lieutenant colonel, Infantry.

Herbert Edward Mann to be lieutenant colonel, Cavalry.

Orlando Gray Palmer to be lieutenant colonel, Cavalry.

Francis Augustus Ruggles to be lieutenant colonel, Field Artillery.

Henry Tilghman Bull to be lieutenant colonel, Cavalry.

Girard Lindsley McEntee to be lieutenant colonel, Infantry.

Charles Keller to be lieutenant colonel, Infantry.

Howard Russell Smalley to be lieutenant colonel, Cavalry.

John Scott to be lieutenant colonel, Infantry.

Noble James Wiley to be lieutenant colonel, Infantry.

George Catlett Marshall, jr., to be lieutenant colonel, Infantry.

Talbot Smith to be lieutenant colonel, Cavalry.

Frank Edwin Davis to be lieutenant colonel, Quartermaster Corps.

William Wallace Overton to be lieutenant colonel, Cavalry.

Samuel Turner Mackall to be lieutenant colonel, Infantry.

Walter Campbell Short to be lieutenant colonel, Infantry.

Frank Fanning Jewett to be lieutenant colonel, Infantry.



Augustus Francis Dannemiller to be lieutenant colonel, Infantry.

Alfred Asa Hickox to be lieutenant colonel, Infantry.

Samuel Greaner Talbott to be lieutenant colonel, Adjutant General's Department.

John Ernest Green to be lieutenant colonel, Infantry.

Jason Marion Walling to be lieutenant colonel, Infantry.

Louis Lehman Korn to be lieutenant colonel, Judge Advocate General's Department.

Fremont Defandorf to be lieutenant colonel, Judge Advocate General's Department.

Charles Macon Wesson to be lieutenant colonel, Ordnance Department.

William Elmer Murray to be lieutenant colonel, Quartermaster Corps.

Richard Bolles Paddock to be major, Field Artillery.

Carl Spatz to be major, Air Service.

Harold Roe Bull to be major, Infantry.

James Byron Haskell to be major, Coast Artillery Corps.

Charles Morton Milliken to be major, Signal Corps.

James Fred Byrom to be major, Infantry.

Woodfin Grady Jones to be major, Infantry.

James Patrick Hogan to be major, Coast Artillery Corps.

Paul Clarence Paschal to be major, Infantry.

John Leo Parkinson to be major, Infantry.

Rudolph Gwinn Whitten to be major, Infantry.

Louis Thomas Byrne, to be major, Infantry.

Gooding Packard to be major, Coast Artillery Corps.

Glenn Preston Anderson to be major, Coast Artillery Corps.

Walter Cyrus Gullion to be major, Adjutant General's Department.

Francis Marion Brannan to be major, Infantry.

Adam Empie Potts to be major, Coast Artillery Corps.

William Rutledge Orton to be major, Infantry.

Rufus Sumter Bratton to be major, Infantry.

Thomas George Lamphier to be major, Air Service.

Sylvester DeWitt Downs, jr., to be major, Field Artillery.

Oriando Ward to be major, Field Artillery.

Benjamin Grant Weir to be major, Air Service.

Ralph Royce to be major, Air Service.

Thomas Huntington Monroe to be major, Infantry.

Roger Burnett Harrison to be major, Infantry.

Benjamin Fiery Hoge to be major, Cavalry.

Frederick Herr to be major, Cavalry.

Clifford James Mathews to be major, Infantry.

Frank William Milburn to be major, Infantry.

Isaac Gill, jr., to be major, Infantry.

John Kennard to be major, Cavalry.

John Bellinger Thompson to be major, Cavalry.

Hammer Huston to be major, Infantry.

Jens Anderson Doe to be major, Infantry.

Lester Leland Lampert to be major, Infantry.

Charles Harrison Corlett to be major, Infantry.

Louis Alexander Falligant to be major, Infantry.

William Ord Ryan to be major, Field Artillery.

William Francis Maher to be major, Field Artillery.

Floyd Hatfield to be major, Infantry.

Charles Lewis Clifford to be major, Cavalry.

Benjamin Seymour Stocker to be major, Infantry.

Oscar Otto Kuentz to be major, Corps of Engineers.

George Horton Steel to be major, Quartermaster Corps.

Earl Landreth to be major, Infantry.

William Edward Raab Covell to be major, Corps of Engineers.

Joseph Dogan Arthur, jr., to be major, Corps of Engineers.

John Stewart Bragdon to be major, Corps of Engineers.

George Jacob Richards to be major, Corps of Engineers.

John Scott Smylie to be major, Coast Artillery Corps.

Lehmann Wellington Miller to be major, Corps of Engineers.

Douglas Lafayette Weart to be major, Corps of Engineers.

Kenneth Smith Anderson to be captain, Infantry.

John Hudspeth Crozier to be captain, Infantry.

Thomas Robert Gibson to be captain, Infantry.

Joseph Jerome Fraser to be captain, Infantry.

Egbert Jansen Buckbee to be captain, Quartermaster Corps.

George Warren Cooke to be captain, Finance Department.

Amos Tyree to be captain, Quartermaster Corps.

Charles Otway Carter to be captain, Quartermaster Corps.

Franklin Denwood Shawn to be captain, Quartermaster Corps.

Charles Julius Isley to be captain, Quartermaster Corps.

Ralph Hibbler Bogle to be captain, Quartermaster Corps.

John Matthew Clarke to be captain, Quartermaster Corps.

Henry John Hunker to be captain, Quartermaster Corps.

Frederick Eugene Hagen to be captain, Quartermaster Corps.

Murdock Allen McFadden to be captain, Quartermaster Corps.

Clifford Michael Ollivetti to be captain, Judge Advocate General's Department.

Norman Paul Williams to be captain, Infantry.

Lewis Conway Baird to be captain, Quartermaster Corps.

Robert Grant Cousley to be captain, Infantry.

Roland Capel Bower to be captain, Quartermaster Corps.

David Grove to be captain, Quartermaster Corps.

Ernest Ward Ely to be captain, Infantry.

James Horace Barbin to be captain, Infantry.

Charles Leonard Charlebois to be captain, Quartermaster Corps.

George Harrison Harrell to be captain, Quartermaster Corps.

James Wight Van Osten to be captain, Signal Corps.

Reuben Lee Fain to be captain, Quartermaster Corps.

Carey Edwin Goodwyn to be captain, Quartermaster Corps.

Adolphe Saint Armant Fairbanks to be captain, Corps of Engineers.

Edward Eccles to be captain, Quartermaster Corps.

John William Mayben to be captain, Quartermaster Corps.

Edward Raeder to be captain, Quartermaster Corps.

John Smith Scally to be captain, Quartermaster Corps.

Allen William Pollitt to be captain, Quartermaster Corps.

Hamilton Hall Treager Glessner to be captain, Signal Corps.

Livingston Swentzel to be captain, Signal Corps.

Elbert Cook to be captain, Quartermaster Corps.

James Anderson Beirne Gibson to be captain, Ordnance Department.

Frederick Foster Christine to be captain, Air Service.

Patrick Kelly to be captain, Quartermaster Corps.

George Hebard Pryor to be captain, Quartermaster Corps.

John Aubrey Wheeler to be captain, Ordnance Department.

Arthur Walter Stanley to be captain, Quartermaster Corps.

Paul Frederick Huber to be captain, Quartermaster Corps.

Graves Barney McGary to be captain, Quartermaster Corps.

Arthur William Parker to be captain, Quartermaster Corps.

Herbert Lee Jackson to be captain, Cavalry.

Randolph James Hernandez to be captain, Quartermaster Corps.

David Sidney Seaton to be captain, Air Service.

Schenk Henry Griffin to be captain, Corps of Engineers.

Richard Landrum Smith to be captain, Corps of Engineers.

Harold Arthur Barnes to be captain, Quartermaster Corps.

William Hammond Waugh to be captain, Corps of Engineers.

Clarence Barnard to be captain, Ordnance Department.

John Leland Corbett to be captain, Quartermaster Corps.

Nels Johnson Thorud to be captain, Quartermaster Corps.

Walter Sutherland Bramble to be captain, Quartermaster Corps.

Harry Diffenbaugh to be captain, Quartermaster Corps.

John Van Ness Ingram to be captain, Quartermaster Corps.

James Stevenson Crawford to be captain, Ordnance Department.

Henry Bert Knowles to be captain, Quartermaster Corps.

Stewart Hancock Elliott to be captain, Ordnance Department.

Asa Irwin to be captain, Quartermaster Corps.

Donald Marion McRae to be captain, Infantry.

John Aloysius Broderick to be captain, Quartermaster Corps.

William Mathew Larner to be captain, Quartermaster Corps.

Charles Bertrand Wickins to be captain, Quartermaster Corps.

Mahlon Kirkbride Taylor to be captain, Quartermaster Corps.

Van Leslie Prather to be captain, Quartermaster Corps.

Edward Peter Doyle to be captain, Quartermaster Corps.

Charles Alexander Brinkley to be captain, Quartermaster Corps.

Hugh Franklin Ewing to be captain, Quartermaster Corps.

Oliver Stevenson Ferson to be captain, Air Service.

George Washington Armitage to be captain, Quartermaster Corps.

William McKendree Scott to be captain, Quartermaster Corps.

Curtis Loyd Stafford to be captain, Cavalry.

John Edward Brown to be captain, Ordnance Department.

John Gibbon McCoy to be captain, Chemical Warfare Service.

John Fawcett to be captain, Quartermaster Corps.

Charles Elliott Lucas to be captain, Infantry.

Will Rainwater White to be captain, Quartermaster Corps.

George Albert Bentley to be captain, Quartermaster Corps.

Norris Whitlock Osborn to be captain, Ordnance Department.

Oliver Louis Overmyer to be captain, Quartermaster Corps.

Thomas Kenny to be captain, Quartermaster Corps.

Harrie Dean Whitcomb Riley to be captain, Corps of Engineers.

Leon Henry Richmond to be captain, Signal Corps.

Charles Merrill Savage to be captain, Air Service.

George Churchill Kenney to be captain, Air Service.

Bertram John Sherry to be captain, Signal Corps.

- John Thompson Conover to be captain, Quartermaster Corps.  
 Warren Atherton Butler to be captain, Quartermaster Corps.  
 Jesse De Witt Cope to be captain, Infantry.  
 Eldridge Arnold Green to be captain, Infantry.  
 Edward Frederick French to be captain, Signal Corps.  
 Jesse Ellis Graham to be first lieutenant, Infantry.  
 Fred Glover Sherrill to be first lieutenant, Finance Department.
- Sol Marks Lipman to be first lieutenant, Cavalry.  
 Jerome David Cambre to be first lieutenant, Infantry.  
 Burrowes Goldthwaite Stevens to be first lieutenant, Infantry.  
 Alexander Thomas McCone to be first lieutenant, Field Artillery.
- Thomas Markham Brinkley to be first lieutenant, Infantry.  
 John Kennedy Buchanan to be first lieutenant, Infantry.  
 Beverley St. George Tucker to be first lieutenant, Ordnance Department.
- Reginald Worth Hubbell to be first lieutenant, Infantry.  
 Lee Earl Gray to be first lieutenant, Coast Artillery Corps.  
 Donald William Sawtelle to be first lieutenant, Cavalry.  
 Paul Wilkins Kendall to be first lieutenant, Infantry.  
 John Franklin Farley to be first lieutenant, Infantry.  
 Charles Henry Moore to be first lieutenant, Infantry.  
 Alexander John Mackenzie to be first lieutenant, Infantry.  
 Wiley Vinton Carter to be first lieutenant, Infantry.  
 Ira Platt Swift to be first lieutenant, Cavalry.  
 Wilbur Eugene Dunkelberg to be first lieutenant, Infantry.  
 Arthur Pulsifer to be first lieutenant, Infantry.  
 Farrin Allen Hillard to be first lieutenant, Infantry.  
 Elliott Watkins to be first lieutenant, Infantry.  
 Francis James Gillespie to be first lieutenant, Infantry.  
 Jesse Lewis Gibney to be first lieutenant, Infantry.  
 Robert Hale Vesey to be first lieutenant, Infantry.  
 Clarence Miles Mendenhall, jr., to be first lieutenant, Coast Artillery Corps.
- Kester Lovejoy Hastings to be first lieutenant, Infantry.  
 Howard Waite Brimmer to be first lieutenant, Infantry.  
 Charles Milner Smith, jr., to be first lieutenant, Infantry.  
 Walter Joseph Muller to be first lieutenant, Infantry.  
 Harry Lovejoy Rogers, jr., to be first lieutenant, Infantry.  
 George Bryan Conrad to be first lieutenant, Field Artillery.  
 William Stephen Murray to be first lieutenant, Infantry.  
 Raymond Wainwright Odor to be first lieutenant, Infantry.  
 James Clyde Welch to be first lieutenant, Infantry.  
 Miner Welsh Bonwell to be first lieutenant, Infantry.  
 Joseph Magoffin Glasgow to be first lieutenant, Cavalry.  
 Elmer Mike Jenkins to be first lieutenant, Infantry.  
 James Lawrence Keasler to be first lieutenant, Infantry.  
 Rutherford Dent McGiffert to be first lieutenant, Infantry.  
 Richard Bryan Wheeler to be first lieutenant, Infantry.  
 Thomas Roswell Aaron to be first lieutenant, Infantry.  
 David Albert Newcomer to be first lieutenant, Corps of Engineers.
- Alfred Maximilian Gruenther to be first lieutenant, Field Artillery.  
 Herbert Bernard Loper to be first lieutenant, Corps of Engineers.  
 Ivan Crawford Lawrence to be first lieutenant, Corps of Engineers.  
 Williston Birkhimer Palmer to be first lieutenant, Field Artillery.  
 Robert Gibbins Gard to be first lieutenant, Field Artillery.  
 Robert Ammons Hill to be first lieutenant, Corps of Engineers.  
 David Horn Whittier to be first lieutenant, Ordnance Department.  
 Herbert Maury Jones to be first lieutenant, Field Artillery.  
 Orville Wells Martin to be first lieutenant, Field Artillery.  
 Roy Green to be first lieutenant, Corps of Engineers.  
 Forrest Eugene Cookson to be first lieutenant, Infantry.  
 Alexander Sharp Bennet to be first lieutenant, Field Artillery.  
 George Sheldon Price to be first lieutenant, Field Artillery.  
 Wyburn Dwight Brown to be first lieutenant, Field Artillery.  
 Robert Miller Montague to be first lieutenant, Field Artillery.  
 Charles Pollard Jones to be first lieutenant, Field Artillery.  
 Anthony Clement McAuliffe to be first lieutenant, Field Artillery.
- Lester Francis Rhodes to be first lieutenant, Corps of Engineers.  
 Albert Rbett Stuart Barden to be first lieutenant, Field Artillery.  
 Romeo Francis Regnier to be first lieutenant, Field Artillery.  
 Don Gilmore Shingler to be first lieutenant, Corps of Engineers.
- Harlan Nelson Hartness to be first lieutenant, Infantry.  
 Louis Brainard Ely to be first lieutenant, Field Artillery.  
 Julius Easton Slack to be first lieutenant, Field Artillery.  
 Bertram Francis Hayford to be first lieutenant, Field Artillery.
- Ernest Aaron Bixby to be first lieutenant, Field Artillery.  
 Robert Rossiter Raymond, jr., to be first lieutenant, Field Artillery.  
 Harris Fulford Scherer to be first lieutenant, Cavalry.  
 Thomas Benoit Hedekin to be first lieutenant, Field Artillery.  
 Joseph Vincil Phelps to be first lieutenant, Field Artillery.  
 Charles Norton McFarland to be first lieutenant, Field Artillery.
- Charles Alvin Pyle to be first lieutenant, Field Artillery.  
 John Ray Hardin to be first lieutenant, Corps of Engineers.  
 William Wilkeson Barton to be first lieutenant, Field Artillery.  
 Maurice Place Chadwick to be first lieutenant, Field Artillery.  
 Foster Joseph Tate to be first lieutenant, Field Artillery.  
 Carl Robinson to be first lieutenant, Infantry.  
 Richard Tobin Bennison to be first lieutenant, Field Artillery.
- Henry John Dick Meyer to be first lieutenant, Field Artillery.  
 Elton Foster Hammond to be first lieutenant, Field Artillery.  
 Ernest Marion Brannon to be first lieutenant, Infantry.  
 Francis George McGill to be first lieutenant, Field Artillery.  
 Oscar Alan Saunders to be first lieutenant, Ordnance Department.
- John Wyville Sheehy to be first lieutenant, Infantry.  
 James Battle Rivers to be first lieutenant, Cavalry.  
 John Joseph Burns to be first lieutenant, Field Artillery.  
 Leslie Edgar Jacoby to be first lieutenant, Field Artillery.  
 John Raikes Vance to be first lieutenant, Infantry.  
 Clarence John Kanaga to be first lieutenant, Field Artillery.  
 Richard Powell Ovenshine to be first lieutenant, Infantry.  
 Edwin Virgil Kerr to be first lieutenant, Field Artillery.  
 Thomas McGregor to be first lieutenant, Field Artillery.  
 Harrison Howell Dodge Heiberg to be first lieutenant, Cavalry.
- William Irwin Allen to be first lieutenant, Coast Artillery Corps.  
 James Edmund Parker to be first lieutenant, Air Service.  
 William Wesson Jervey to be first lieutenant, Cavalry.  
 George Raymond Burgess to be first lieutenant, Coast Artillery Corps.  
 Edward Lynde Strohbehn to be first lieutenant, Field Artillery.
- Maurice Keyes Kurtz to be first lieutenant, Field Artillery.  
 William Holmes Wenstrom to be first lieutenant, Cavalry.  
 Paul Lewis Harter to be first lieutenant, Coast Artillery Corps.  
 Leo Clement Paquet to be first lieutenant, Infantry.  
 Thomas Maurice Crawford to be first lieutenant, Infantry.  
 Eugene McGinley to be first lieutenant, Field Artillery.  
 Hugh Brownrigg Waddell to be first lieutenant, Cavalry.  
 Lester DeLong Flory to be first lieutenant, Coast Artillery Corps.
- Isaac Haiden Ritchie to be first lieutenant, Coast Artillery Corps.  
 Augustine Francis Shea to be first lieutenant, Field Artillery.  
 Carlisle Visscher Allan to be first lieutenant, Infantry.  
 Marion Patton Echols to be first lieutenant, Field Artillery.  
 Francis Otis Wood to be first lieutenant, Field Artillery.  
 Hobart Hewett to be first lieutenant, Coast Artillery Corps.  
 Waldemar Sven Broberg to be first lieutenant, Ordnance Department.
- James Holder Phillips to be first lieutenant, Cavalry.  
 John Edwin Leahy to be first lieutenant, Cavalry.  
 Frederick Weed Drury to be first lieutenant, Cavalry.  
 Leander Dunbar Syme to be first lieutenant, Infantry.  
 Ellis Vern Williamson to be first lieutenant, Field Artillery.  
 Leroy Clark Wilson to be first lieutenant, Infantry.  
 Nathaniel Alanson Burnell, 2d, to be first lieutenant, Coast Artillery Corps.
- John Bartlett Murphy to be first lieutenant, Field Artillery.  
 James Lowe Harbaugh, jr., to be first lieutenant, Coast Artillery Corps.  
 Virgil Farrar Shaw to be first lieutenant, Cavalry.  
 Paul Alpheus Noel to be first lieutenant, Cavalry.  
 Michael Gibson Smith to be first lieutenant, Field Artillery.  
 Cyril Emerson Faine to be first lieutenant, Infantry.  
 Arthur Maxon Parsons to be first lieutenant, Infantry.  
 Harry Welling Barrick to be first lieutenant, Infantry.

William Travis Van de Graaff to be first lieutenant, Infantry.  
 Howard Rand Perry, jr., to be first lieutenant, Infantry.  
 Edward Hamilton Young to be first lieutenant, Infantry.  
 Nathan Arthur Smith to be first lieutenant, Infantry.  
 Gerald St. Claire Mickle to be first lieutenant, Infantry.  
 Benjamin Randolph Farrar to be first lieutenant, Infantry.  
 Henry Ellis Sanderson, jr., to be first lieutenant, Field Artillery.

Hugh French Thomason Hoffman to be first lieutenant, Cavalry.

David Stanley Holbrook to be first lieutenant, Cavalry.  
 Walter Scott Winn, jr., to be first lieutenant, Infantry.  
 Willard Gordon Wyman to be first lieutenant, Cavalry.  
 John Leonard Whitelaw to be first lieutenant, Infantry.  
 Edward Henry Bowes to be first lieutenant, Infantry.  
 Edwin Malcolm Sutherland to be first lieutenant, Infantry.  
 Joseph Andrew Holly to be first lieutenant, Infantry.  
 Henry Baldwin Nichols to be first lieutenant, Infantry.  
 William Douglas McNair to be first lieutenant, Field Artillery.  
 Charles Forrest Wilson to be first lieutenant, Coast Artillery Corps.

Robert Francis Carter to be first lieutenant, Infantry.  
 Hugh Garnett Elliott, jr., to be first lieutenant, Field Artillery.

Nathan Farragut Twining to be first lieutenant, Infantry.  
 William John Crowe to be first lieutenant, Cavalry.  
 Norris Stayton to be lieutenant colonel, Quartermaster Corps.

Earl Ewart Gesler to be major, Corps of Engineers.  
 James Howard Todd to be captain, Quartermaster Corps.  
 Paul Sutphin Edwards to be captain, Signal Corps.  
 James Helmus Bogart to be captain, Chemical Warfare Service.

George Whitfield MacMillan to be first lieutenant, Coast Artillery Corps.

L. Hoyt Rockafellow to be first lieutenant, Infantry.  
 Percy Emery Hunt to be first lieutenant, Infantry.  
 Noble Carter to be captain, Quartermaster Corps.  
 John Allen Root to be captain, Ordnance Department.  
 John Wallace Cooper to be captain, Quartermaster Corps.  
 Joseph Hooker Comstock to be captain, Infantry.  
 Roland William McNamee to be first lieutenant, Infantry.  
 John Carpenter Raaen to be first lieutenant, Infantry.  
 Winfred George Skelton to be first lieutenant, Infantry.  
 Lambert Benel Cain to be first lieutenant, Infantry.  
 Edmund Bower Sebree to be first lieutenant, Infantry.  
 Ignatius Lawrence Donnelly to be first lieutenant, Infantry.  
 Merritt Brandon Booth to be first lieutenant, Infantry.  
 George Edward Ball to be colonel, Quartermaster Corps.  
 Reuben Smith to be colonel, Infantry.  
 Russell Potter Reeder to be colonel, Coast Artillery Corps.  
 John Burhyte Wilmot Corey to be lieutenant colonel, Field Artillery.

George Allen Taylor to be lieutenant colonel, Field Artillery.  
 Ralph Emerson Herring to be lieutenant colonel, Coast Artillery Corps.

John Albert Paegelow to be lieutenant colonel, Air Service.  
 Edwin Alexander Bethel to be major, Corps of Engineers.  
 John French Conklin to be major, Corps of Engineers.  
 Alfred Laing Canahl to be major, Corps of Engineers.  
 John Easter Harris to be major, Corps of Engineers.  
 William Frazer Tompkins to be major, Corps of Engineers.  
 Douglas Hamilton Gillette to be major, Corps of Engineers.  
 Carroll Harper Newell to be captain, Infantry.  
 Harry Thurber to be captain, Quartermaster Corps.  
 Louis Arthur Witney to be captain, Infantry.  
 Ade Orrill to be captain, Infantry.

Oscar Glenn Stevens to be captain, Infantry.  
 John Alfred Gilman to be captain, Quartermaster Corps.  
 William Thomas Brock to be captain, Infantry.  
 John Edward Langley to be captain, Corps of Engineers.  
 Raymond Clegg Barlow to be first lieutenant, Infantry.  
 Frank Greene Davis to be first lieutenant, Infantry.  
 Emmett James Bean to be first lieutenant, Infantry.  
 Donald Allen Fay to be first lieutenant, Infantry.  
 Charles Henry Noble to be first lieutenant, Cavalry.  
 Walter Towle O'Reilly to be first lieutenant, Field Artillery.  
 Kenneth Pierce to be first lieutenant, Infantry.  
 Charles Henry Bryan to be lieutenant, Cavalry.  
 Vicente Lim to be major, Philippine Scouts.  
 Howard Campbell Price to be colonel, Infantry.  
 Walter Bogardus McCaskey to be colonel, Infantry.  
 Oliver Hart Dockery, jr., to be colonel, Infantry.  
 Glen Fay Jenks to be lieutenant colonel, Ordnance Department.

Clarence Beaumont Ross to be lieutenant colonel, Coast Artillery Corps.

Richard Henry Jordan to be lieutenant colonel, Quartermaster Corps.

Paul Alfred Hodgson to be major, Corps of Engineers.  
 Donald Angus Davison to be major, Corps of Engineers.  
 Henry Spiese Aurand to be major, Ordnance Department.  
 Thomas Bernard Larkin to be major, Corps of Engineers.  
 Louis Arthur Witney to be captain, Infantry.  
 Ade Orrill to be captain, Infantry.

Oscar Glenn Stevens to be captain, Infantry.  
 William Thomas Brock to be captain, Infantry.  
 John Edward Langley to be captain, Corps of Engineers.  
 Lorenzo Dow Macy to be captain, Infantry.  
 George Augustus Jahant to be captain, Infantry.  
 Curtis DeWitt Alway to be captain, Infantry.  
 John Endler to be first lieutenant, Infantry.  
 John Howell Collier to be first lieutenant, Cavalry.  
 Basil Duke Edwards to be major, Judge Advocate General's Department.

Charles Wesley Wood to be first lieutenant, Signal Corps.  
 William Anderson Raborg to be major, Field Artillery.  
 Charles Conrad Brown to be captain, Field Artillery.  
 Kenneth Eugene Webber to be second lieutenant, Coast Artillery Corps.

Hugh Johnston Knerr to be major, Air Service.  
 John Robert Thomas, jr., to be colonel, Field Artillery.  
 Milton Artells Elliott, jr., to be colonel, Adjutant General's Department.

Robert Franklin McMillan to be colonel, Coast Artillery Corps.

William Storrs Bowen to be lieutenant colonel, Coast Artillery Corps.

William Fitzhugh Jones to be lieutenant colonel, Field Artillery.

James Brewster Taylor to be lieutenant colonel, Coast Artillery Corps.

Edwin Coit Kelton to be major, Corps of Engineers.  
 James Allen Lester to be major, Field Artillery.  
 Mason James Young to be major, Corps of Engineers.  
 Layson Enslow Atkins to be major, Corps of Engineers.  
 Louis James Lampke to be captain, Infantry.  
 Henry August Andres to be captain, Infantry.  
 Clay Anderson to be captain, Corps of Engineers.  
 Claude Lesley Kishler to be captain, Coast Artillery Corps.  
 Vernon Calhoun DeVotie to be captain, Infantry.  
 William McPhail Stewart to be captain, Infantry.  
 Willis Arthur Platts to be captain, Infantry.  
 Irvin Boston Warner to be captain, Field Artillery.  
 Dean Luce to be first lieutenant, Coast Artillery Corps.  
 Vincent Coyle McAlevy to be first lieutenant, Coast Artillery Corps.

George Gordon Elms to be first lieutenant, Cavalry.  
 John Dimmick Armstrong to be first lieutenant, Infantry.  
 Ralph Francis Stearley to be first lieutenant, Cavalry.  
 Donald Handley Nelson to be first lieutenant, Cavalry.  
 Edward Ora Hopkins to be first lieutenant, Field Artillery.  
 James Verne Cole to be first lieutenant, Infantry.  
 Ralph Bernard Kindley to be first lieutenant, Infantry.  
 John Adam Bruckner, jr., to be first lieutenant, Infantry.  
 Perry Orlando Wilcox to be chaplain with the rank of captain.

Henry William Bobrink to be first lieutenant, Quartermaster Corps.

Roy Alphonso Carter to be first lieutenant, Field Artillery.

John Harry to be second lieutenant, Coast Artillery Corps.

George Doane Freeman, jr., to be colonel, Infantry.  
 Clarence Archibald Frank to be first lieutenant, Infantry.

#### POSTMASTERS.

##### CONNECTICUT.

William B. Simon, New Canaan.

##### FLORIDA.

Joseph H. Nelson, Crestview.  
 Thomas J. Bulford, Hilliard.

##### IDAHO.

Herbert D. Cheney, Gooding.  
 Frank B. Daws, Homedale.

##### LOUISIANA.

Lavinia A. Parr, Baldwin.  
 Joseph A. Gil, Eunice.  
 Robert M. Shilling, Oak Grove.  
 Otto J. Gutting, Oil City.

## MASSACHUSETTS.

Thomas Carroll, Bridgewater.  
John F. Megley, Holbrook.  
Frank W. Philbrick, Lancaster.  
Carroll L. Bessom, Mansfield.  
Maud M. Miles, South Sudbury.

## MISSOURI.

Thomas E. Hubbard, Dexter.  
Hattie M. Sandefur, Holland.  
Thomas W. Box, Lamar.  
William T. Robinson, La Plata.  
Alexander T. Boothe, Pierce City.  
L. Tom Wilder, Ste. Genevieve.  
Arthur Darby, Urbana.

## NEW JERSEY.

Elmira L. Phillips, Andover.  
John G. Stoughton, Bergenfield.  
Henry Elsberg, Cliffside.  
Stephanie J. Piechowicz, Vauxhall.

## NEW YORK.

Albert B. W. Firmin, Brooklyn.  
Henry L. Sherman, Glens Falls.

## OKLAHOMA.

James M. D. Clawdus, Wilson.

## PENNSYLVANIA.

Clyde S. McNeely, Dauphin.  
Raymond M. Rahn, Enola.  
John C. McConnell, Essington.  
Lemuel N. Ammon, Gap.  
Robert C. Miller, Gettysburg.  
John N. Sharpsteen, Honesdale.  
William D. McCormick, Leighton.  
Ray K. Garman, Lemoyne.  
Isaac A. Mattis, Millersburg.  
Milton E. Birchard, Montrose.  
George J. Miller, Pittston.

## SOUTH CAROLINA.

Washington M. Ritter, Cope.

## TEXAS.

Ethyl H. Williams, Angleton.  
Gertrude N. Merrill, Buffalo.  
David A. Young, Commerce.  
Bradley Miller, Cooledge.  
Charles A. Duff, Legion.  
Mary E. Adams, Powell.  
Sam H. French, Purdon.  
Robert E. Jackson, Queen City.  
Luther Bowers, Seagoville.

## WEST VIRGINIA.

Charlie F. Baldwin, Madison.  
Claude Pepper, Salem.

## WISCONSIN.

Durant C. Gile, Edgerton.

## WYOMING.

John W. Morgareidge, Sheridan.

## HOUSE OF REPRESENTATIVES.

FRIDAY, February 15, 1924.

The House met at 11 o'clock a. m., and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, our Heavenly Father, maker of all things pure and the author of all life and intelligence and judge of all men, abide with us in the fullness of Thy mercy and wisdom. Do Thou possess our hearts and minds that we may resist evil and overcome difficulty. Amid turbulent conditions and mental disquietude, Oh, speak to men everywhere, without qualification or exemption, "I am the way, the truth, the life," and unfold to them the deep things of God. The Lord protect, bless, and preserve the soul of the Republic and establish Thou the work of Thy servants. In the blessed name of Jesus. Amen.

The Journal of the proceedings of yesterday was read and approved.

## REVENUE ACT OF 1924.

Mr. GREEN of Iowa. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6715) to reduce and equalize taxation, provide revenue, and for other purposes; and, pending that motion, I ask unanimous consent that an order be taken, the text of which I send to the Clerk's desk.

The SPEAKER. The gentleman from Iowa asks unanimous consent for the adoption of an order, which the Clerk will report.

The Clerk read as follows:

*Ordered*, That immediately after the House resolves itself into committee on Tuesday, February 19, sections 210 and 211 and paragraph (C) of section 216 of H. R. 6715 shall be read for amendment as one paragraph. It shall thereupon be in order for the minority to propose an amendment in the nature of a substitute for said sections, which substitute for the purpose of amendment shall be considered as an original bill and open to amendment under the general rules of the House.

Mr. GREEN of Iowa. Mr. Speaker, I ask unanimous consent to proceed for three minutes in explanation of the order.

The SPEAKER. The gentleman from Iowa asks unanimous consent to proceed for three minutes. Is there objection?

There was no objection.

Mr. GREEN of Iowa. Mr. Speaker, Members will recognize in the first place that this order includes the sections relating to the income tax for discussion next Tuesday. This gives notice of the day when the income-tax rates will be taken up, so that all Members may be here pending that discussion and vote. The agreement has the further advantage that it will prevent, I think, the offering of a great many amendments and voting thereon in the final vote by the House.

The ultimate result, as we have all agreed—all the members of the Committee on Ways and Means have agreed to it, and the leaders on both sides have agreed to it—will be that the gentleman from Texas [Mr. GARNER] will present a complete plan as a substitute for the bill. Next, it will make it in order for the gentleman from Wisconsin [Mr. FREAR] to present his plan as a substitute for what is commonly known as the Garner plan. Then under the terms of the order the whole matter will be thrown open for amendment, so that every Member will have a chance to offer such amendments as he sees fit; but in the end, after this program has been worked out, we will have but one amendment to vote upon as a substitute for the provisions of the bill. I understand that the order is entirely satisfactory to the other side.

The SPEAKER. Is there objection to the consideration of the order?

There was no objection.

The SPEAKER. The question is on agreeing to the order.

The order was agreed to.

The SPEAKER. The gentleman from Iowa moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the revenue bill. The question is on agreeing to that motion.

The motion was agreed to.

The SPEAKER. The gentleman from Illinois [Mr. GRAHAM] will please take the chair.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes, with Mr. GRAHAM of Illinois in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 6715, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 6715) to reduce and equalize taxation, to provide revenue, and for other purposes.

The CHAIRMAN. At the conclusion of the session yesterday the gentleman from Iowa [Mr. GREEN] had used 2 hours and 10 minutes and the gentleman from Texas [Mr. GARNER] had used 3 hours and 5 minutes.

Mr. GREEN of Iowa. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. WATSON].

The CHAIRMAN. The gentleman from Pennsylvania is recognized for 10 minutes.

Mr. WATSON. Mr. Chairman, I ask unanimous consent to revise and extend my remarks.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

Mr. GREEN of Iowa. Mr. Chairman, if the gentleman will permit, I may say that that request has already been granted. It was granted to Members generally by the House.

The CHAIRMAN. Yes; the Chair understands that each Member who has spoken on the bill will have five legislative days in which to extend his remarks in the discussion of the bill. The gentleman from Pennsylvania [Mr. WATSON] is recognized.

Mr. WATSON. Mr. Chairman and gentlemen, the doctrine of equitable taxation has been practiced by every governmental legislative body of modern times. Much has been written on taxation; few of the theories have been found to be practicable. The very first principle of taxation is to collect from those with ability to pay. The present-day tendency is to place an overburdened taxation on the rich by drawing from their incomes excessive percentage. This policy prevents capital seeking natural sources in the industries and commerce and fails to give employment to labor, thereby opening opportunities for livelihood and domestic happiness, and in course of time advancing their incomes for taxable purposes from the lower to the higher brackets.

The revenue bill under consideration not only reduces and equalizes but improves the method of taxation. The sections of the bill containing the administrative features and the indirect taxes from which we are all benefited seem to meet with universal approval. The surtax section, however, is subject to as many views as there are schools on political economy. I strongly favor a graduated income tax, progressive in its policy. We, however, are encroaching upon capital when in time of peace we carry surtax to 50 per cent. Capital gives better results drawn into the industries and commerce than idle to avoid the tax collector. Nothing discourages capital more than taxes; nothing pleases the socialist more than to tax the rich; nothing brings discord quicker than socialistic rule.

The Secretary of the Treasury in his unparalleled financial adroitness, for we all recognize his ability, has recommended a plan by which the taxpayers will save in 1924 \$323,000,000. The plan substantially is the bill under consideration.

Pennsylvania has 842,662 income-tax payers, who paid in 1921 \$84,660,226, but under this measure the taxpayers of Pennsylvania will save nearly \$65,000,000 income and excise taxes for the taxable years of 1923 and 1924, and the State pays nearly 12 per cent of all the income taxes.

To stagnate income and cause capital investments unprofitable by fullness of taxation is not the philosophy by which a nation grows in power and wealth. If the surtax is kept at 25 per cent, the second year in its operation would increase a revenue of \$100,000,000 to the Government, as estimated by statisticians. The gain is attributed to taxes derived from accumulated incomes saved from the high brackets of the present law.

In the taxable year of 1919 there were 250 personal returns from the income class of \$300,000, and in 1921 only 84. Again, in the taxable year of 1919 there were 929 personal returns in all income classes, including \$250,000 and upward, while 1921 revealed 330, yet there were 1,329,416 more returns in 1921 than in 1919. It is evident that those in the higher-income classes changed their investments in a way that their incomes could not be reached. A surtax of 25 per cent would draw capital from nontaxable securities, for capital seeks profit, and high rate of interest is the alluring goal. I insert statistical tables.

Tables showing the tax that would be imposed upon the incomes specified under the revision proposed by Secretary Mellon, as compared with the present law:

In order to apply these tables to the State of Pennsylvania the following are the latest statistics available for that State:

|   |                 |
|---|-----------------|
| Total number of returns   | 621,103         |
| Net income returned   | \$1,937,291,858 |
| Total number of taxable returns   | 342,692         |
| Total tax returned  | \$84,660,226    |
| Number of joint returns of husbands and wives, including husbands whose wives, though living with them, made separate returns | 317,957         |
| Net income of same  | \$1,221,524,166 |
| Heads of families, number of returns  | 55,496          |
| Net income of same  | \$152,281,270   |
| All other men; number of returns  | 188,097         |
| Net income of same  | \$384,074,066   |
| All other women; number of returns  | 51,723          |
| Net income of same  | \$132,098,276   |
| Wives making separate returns   | 7,830           |
| Net income of same  | \$47,314,140    |
| Number of taxpayers with various incomes:   |                 |
| Incomes under \$6,000   | 305,523         |
| Tax on same, payable 1922   | \$10,390,547    |
| Incomes, \$6,000 to \$10,000  | 19,631          |
| Tax on same, payable 1922   | \$4,747,517     |
| Incomes, \$10,000 to \$50,000   | 16,104          |
| Tax on same, payable 1922   | \$24,480,812    |
| Incomes, \$50,000 to \$100,000  | 1,052           |
| Tax on same, payable 1922   | \$14,207,911    |
| Incomes in excess of \$100,000  | 352             |
| Tax on same, payable 1922   | \$30,833,433    |

Upon this basis the total reduction in the income tax for the State of Pennsylvania under the Mellon plan would be about \$32,000,000 out of a total tax of \$84,000,000, or a little less than 40 per cent.

Income tax payable upon certain net incomes under the provisions of the bill as reported by the Ways and Means Committee.

| Net income. | Income earned not in excess of \$5,000. |           |                 |           | Income all earned. |           |                 |           |
|-------------|---|-----------|-----------------|-----------|--------------------|-----------|-----------------|-----------|
|             | Single man.                             |           | Head of family. |           | Single man.        |           | Head of family. |           |
|             | Present law.                            | Proposed. | Present law.    | Proposed. | Present law.       | Proposed. | Present law.    | Proposed. |
| \$1,000     |   |           |                 |           |                    |           |                 |           |
| \$2,000     | \$40.00                                 | \$22.50   |                 |           | \$40.00            | \$22.50   |                 |           |
| \$3,000     | 80.00                                   | 45.00     | \$20.00         | \$11.25   | 80.00              | 45.00     | \$20.00         | \$11.25   |
| \$4,000     | 120.00                                  | 67.50     | 60.00           | 33.75     | 120.00             | 67.50     | 60.00           | 33.75     |
| \$5,000     | 160.00                                  | 90.00     | 100.00          | 56.25     | 160.00             | 90.00     | 100.00          | 56.25     |
| \$6,000     | 240.00                                  | 135.00    | 160.00          | 84.38     | 240.00             | 135.00    | 160.00          | 84.38     |
| \$7,000     | 320.00                                  | 180.00    | 250.00          | 112.50    | 320.00             | 180.00    | 250.00          | 112.50    |
| \$8,000     | 400.00                                  | 225.00    | 340.00          | 140.63    | 400.00             | 225.00    | 340.00          | 140.63    |
| \$9,000     | 480.00                                  | 270.00    | 430.00          | 168.75    | 480.00             | 270.00    | 430.00          | 168.75    |
| \$10,000    | 560.00                                  | 315.00    | 520.00          | 196.88    | 560.00             | 315.00    | 520.00          | 196.88    |
| \$11,000    | 640.00                                  | 360.00    | 610.00          | 225.00    | 640.00             | 360.00    | 610.00          | 225.00    |
| \$12,000    | 720.00                                  | 405.00    | 700.00          | 253.13    | 720.00             | 405.00    | 700.00          | 253.13    |
| \$13,000    | 800.00                                  | 450.00    | 790.00          | 281.25    | 800.00             | 450.00    | 790.00          | 281.25    |
| \$14,000    | 880.00                                  | 495.00    | 880.00          | 309.38    | 880.00             | 495.00    | 880.00          | 309.38    |
| \$15,000    | 960.00                                  | 540.00    | 970.00          | 337.50    | 960.00             | 540.00    | 970.00          | 337.50    |
| \$16,000    | 1,040.00                                | 585.00    | 1,060.00        | 365.63    | 1,040.00           | 585.00    | 1,060.00        | 365.63    |
| \$17,000    | 1,120.00                                | 630.00    | 1,150.00        | 393.75    | 1,120.00           | 630.00    | 1,150.00        | 393.75    |
| \$18,000    | 1,200.00                                | 675.00    | 1,240.00        | 421.88    | 1,200.00           | 675.00    | 1,240.00        | 421.88    |
| \$19,000    | 1,280.00                                | 720.00    | 1,330.00        | 450.00    | 1,280.00           | 720.00    | 1,330.00        | 450.00    |
| \$20,000    | 1,360.00                                | 765.00    | 1,420.00        | 478.13    | 1,360.00           | 765.00    | 1,420.00        | 478.13    |

Exemptions from normal tax:

- \$1,000 for single persons.
- \$2,500 for heads of families with net income of less than \$5,000.
- \$2,000 for heads of families with income in excess of \$5,000.
- \$400 for each dependent child under 18 years of age and for other dependents physically or mentally deficient.

Normal tax:

- 3 per cent on first \$4,000 taxable.
- 6 per cent on balance.

Surtax: 1 per cent on amount in excess of \$10,000 and not in excess of \$12,000, increasing 1 per cent for each \$2,000 until \$35,000 net income is reached, with a maximum rate of 25 per cent on amount in excess of \$100,000 net income.

Earned income: A credit of 25 per cent of the total tax on account of earned income. All net income less than \$5,000 is deemed to be earned, and all in excess of \$20,000 to be unearned.

Table showing the total tax payable upon certain incomes under the rates of the present law and under the suggested rates.

| Net income.      | Single person, un-earned income. |               | Married man with 2 dependents, un-earned income. |               |
|------------------|----------------------------------|---------------|--|---------------|
|                  | Present law.                     | Proposed law. | Present law.                                     | Proposed law. |
| \$30,000.....    | \$3,600                          | \$2,720       | \$3,456  | \$2,612       |
| \$40,000.....    | 5,920                            | 4,600         | 5,776  | 4,492         |
| \$50,000.....    | 8,720                            | 6,740         | 8,576  | 6,632         |
| \$100,000.....   | 30,220                           | 19,900        | 30,076   | 19,792        |
| \$150,000.....   | 58,220                           | 35,400        | 58,076   | 35,292        |
| \$200,000.....   | 86,720                           | 50,900        | 86,576   | 50,792        |
| \$250,000.....   | 115,720                          | 66,400        | 115,576  | 66,292        |
| \$300,000.....   | 144,720                          | 81,900        | 144,576  | 81,792        |
| \$400,000.....   | 202,720                          | 112,900       | 202,576  | 112,792       |
| \$500,000.....   | 260,720                          | 143,900       | 260,576  | 143,792       |
| \$1,000,000..... | 550,720                          | 298,900       | 550,576  | 298,792       |

Income tax on earned incomes from \$1,200 to \$5,000.

| Net income.  | Single person. |           | Married persons with 2 dependent children. |           |
|--------------|----------------|-----------|--|-----------|
|              | Present law.   | Proposed. | Present law.                               | Proposed. |
| \$1,200..... | \$1            | \$4.50    |  |           |
| \$1,400..... | 16             | 9.00      |  |           |
| \$1,600..... | 24             | 13.50     |  |           |
| \$1,800..... | 32             | 18.00     |  |           |
| \$2,000..... | 40             | 22.50     |  |           |
| \$2,200..... | 48             | 27.00     |  |           |
| \$2,400..... | 56             | 31.50     |  |           |
| \$2,600..... | 64             | 36.00     |  |           |
| \$2,800..... | 72             | 40.50     |  |           |
| \$3,000..... | 80             | 45.00     |  |           |
| \$3,500..... | 96             | 54.00     | \$4  | \$2.25    |
| \$4,000..... | 104            | 58.50     | 12   | 6.75      |
| \$4,500..... | 112            | 63.00     | 20   | 11.25     |
| \$5,000..... | 120            | 67.50     | 28   | 15.75     |
| \$4,000..... | 128            | 72.00     | 36   | 20.25     |
| \$4,200..... | 136            | 76.50     | 44   | 24.75     |
| \$4,400..... | 144            | 81.00     | 52   | 29.25     |
| \$4,600..... | 152            | 85.50     | 60   | 33.75     |
| \$4,800..... | 160            | 90.00     | 68   | 38.25     |

The epoch of our greatest prosperity was written into history from 1864 to 1913. The American people were subjected to a civil war which brought upon them a great financial burden. It was generally prophesied that this national debt could not be liquidated. Within a few years it was paid, taxes reduced, resources developed, industries thrived, railroads constructed and extended into our frontiers. Surtaxes were not the fashion then, the country wanted capital, thus was laid the foundation for our national wealth. Bolshevism was not known, socialism was in its infancy. In the age of the feudal system capital was not accumulated, wealth consisted of chattels, not gold and silver coin, the world stood still, ignorance and superstition reigned. The system of banking was crude, the hidden power of steam and electricity was not revealed to give life to machinery that moves the industries of the world. When the age awakened from its lethargy and realized the value of money as the lawful medium of exchange and its social power, the old system of feudal slavery fast faded away and the value of accumulated fortunes was realized and civilization advanced to the perfection as it is to-day.

In the history of all nations, I doubt a revenue bill reported within five years after a great war, contained as many reductions and equalizations as the one we are now debating.

Let us not tie up wealth by undue taxation, but rather liberate it for the benefit of the 40,000,000 men and women employed as clerks and artisans, that they may have a chance to exercise their ingenuity in the accumulation of wealth—wealth the reserve force in the development of the human mind. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman on the other side use some time?

Mr. COLLIER. I wish the gentleman from Iowa would use a little of his time. We have used more time, I think, than he has.

Mr. GREEN of Iowa. If the gentleman please, I thought I had a definite understanding with the gentleman that he would go on after the last speaker, and for that reason I have not sent for the next speaker. I suppose, then, we had better conclude the general debate, if that is what the gentleman wants.

Mr. COLLIER. Well, Mr. Chairman, I will just speak myself.

Mr. GREEN of Iowa. I think the gentleman ought to have a larger attendance here, and I make the point of order that there is no quorum, for that purpose.

Mr. CRISP. I was going to make it; but if the chairman is willing to make it, he can do so.

Mr. PERKINS. Mr. Chairman, I make the point of no quorum.

The CHAIRMAN. Evidently there is no quorum present. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

|               |                  |               |                |
|---------------|------------------|---------------|----------------|
| Ayres         | Edmonds          | Lindsay       | Reed, W. Va.   |
| Bell          | Fish             | McFadden      | Reid, Ill.     |
| Black, N. Y.  | Frothingham      | McKenzie      | Romjue         |
| Boylan        | Funk             | McSwain       | Rouse          |
| Brand, Ga.    | Gallivan         | MacGregor     | Sabath         |
| Britten       | Garber           | MacLafferty   | Sanders, Ind.  |
| Burdick       | Geran            | Mead          | Sanders, N. Y. |
| Butler        | Gifford          | Merritt       | Schall         |
| Canfield      | Gilbert          | Michaelson    | Scott          |
| Celler        | Graham, Pa.      | Moore, Ill.   | Snyder         |
| Connolly, Pa. | Harrison         | Moore, Ind.   | Stalker        |
| Cooper, Ohio  | Hawes            | Morehead      | Sullivan       |
| Crosser       | Hudson           | Morris        | Sweet          |
| Cullen        | Hull, Tenn.      | Nelson, Wis.  | Taylor, Colo.  |
| Cummings      | Johnson, S. Dak. | Nolan         | Thompson       |
| Curry         | Kahn             | O'Brien       | Tincher        |
| Davey         | Kelly            | O'Connor, La. | Upshaw         |
| Davis, Minn.  | Kendall          | Oldfield      | Vare           |
| Deal          | Kent             | Paige         | Vinson, Ky.    |
| Dempsey       | Kerr             | Perlman       | Weller         |
| Dickstein     | King             | Phillips      | Wingo          |
| Dominick      | Kunz             | Porter        | Winslow        |
| Doyle         | LaGuardia        | Pou           | Wood           |
| Drewry        | Langley          | Quayle        | Yates          |
| Dupré         | Lazaro           | Ransley       | Zihlman        |
| Dyer          | Lehibach         | Reed, N. Y.   |                |
| Eagan         | Lilly            | Reid, Ark.    |                |

The SPEAKER resumed the chair.

Mr. BLANTON. Mr. Speaker, I rise to make a point of order and call attention to the fact that a man sitting in the gallery has displayed a large banner from his seat, which is now hanging over the railing. I do not know what that banner contains, as it is impossible from this distance to read it, but it is improper for people in the gallery to put such banners down into the House of Representatives. As I say, I do not know what that banner contains; it may contain something of which I approve, but I am against that practice, and I make a point of order against it.

The SPEAKER. The Chair thinks the point of order is well taken.

Mr. BLANTON. And I think that man should be instructed that he has no business coming into this House and displaying a banner. [Applause.] And, Mr. Speaker, I make the point of order that the individual who violated the rules of this House should be removed from the gallery.

The SPEAKER. The Chair does not think that is a point of order.

Mr. BLANTON. Then I move it, Mr. Speaker—

The SPEAKER. Nothing is in order until the report of the committee is made, and then the House automatically resolves itself into the Committee of the Whole House on the state of the Union.

Mr. BLANTON. Of course we are in a parliamentary situation where we can now take action.

The SPEAKER. The Chair thinks so.

Mr. GRAHAM of Illinois, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 6715, and finding itself without a quorum he had caused the roll to be called, whereupon 326 Members answered to their names, a quorum, and he handed in a list of the absentees for printing in the Journal and Record.

The committee resumed its sitting.

Mr. COLLIER. Mr. Chairman, I yield five minutes to the gentleman from Texas [Mr. GARNER].

Mr. GARNER of Texas. Mr. Chairman and gentlemen of the committee, I have asked for these five minutes for the purpose of replying to a statement made by the gentleman from New York [Mr. MILLS] in his address to the committee on yesterday to the effect that I was in possession of the figures, which he inserted in the Record yesterday, some weeks ago.

I know the gentleman from New York [Mr. MILLS] did not intend to misrepresent me. He probably imagined I had that information because he had the information. I did not have that information. I did not have either one of the tables placed in the Record yesterday by the gentleman from New York [Mr. MILLS] until Wednesday morning, and I call upon the different members of the committee, both Republicans and Democrats, to tell me when they came into possession of that

information earlier than last Wednesday morning when we had our hearing.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. GARNER of Texas. I yield to the gentleman.

Mr. CHINDBLOM. The gentleman from New York [Mr. MILLS] is not here, but my recollection is he said yesterday that the gentleman could have obtained the figures.

Mr. WILLIAM E. HULL. That is what he said.

Mr. GARNER of Texas. Oh, the gentleman says I could have gotten the figures—

Mr. CHINDBLOM. I say my recollection is that is what the gentleman from New York [Mr. MILLS] said.

Mr. GARNER of Texas. I might have gotten them if I had gone up there with a crowbar and pried open the Treasury Department and shanghaied the Secretary and made him give them to me. That is the only way I could have got possession of them. I did see a part of one of these copies, a secret copy, and it was marked "secret" by the Secretary of the Treasury himself. I only had two minutes to look at it. It was shown to me in confidence, because the Secretary of the Treasury had given it out confidentially, and yet I am a member of the Ways and Means Committee, but the Secretary did not give it to me.

These gentlemen have been licked to a frazzle, so far as their arguments are concerned. You Republicans have been whipped, economically speaking, in your argument. You have been whipped as to revenues, and now the only thing you can do is, after the bill has been reported, and one day before it comes up, to resort to estimates, and estimates based on what?

Gentlemen, they did not give you the estimates for 1924 this year. I ask you to answer why. Will some Republican tell me? No one answers. The estimates that the gentleman from New York [Mr. MILLS] placed in the RECORD yesterday are for 1927. Mr. McCoy spoke to me over the phone about it and he will tell you that he told me this, and Mr. Price, the clerk to the minority of the Ways and Means Committee, was sitting at his side at the time, and when I asked him for an estimate on this plan based on 1921, I said, "What would be the difference between the Mellon plan and the Democratic plan for the taxes for next year?" and he said, "Yours will get at least \$100,000,000 more." [Applause.] That is what he said. I know Mr. McCoy will not deny it, and nobody else will deny it. Of course he was making a rough estimate from the figures then, but when he comes to submit this estimate he dare not make it for 1924, because the Democratic plan will show greater revenue than the Mellon plan, and they will be put out of business. [Applause.] The estimate for 1927 instead of 1924 is not McCoy's fault. Instead of making the estimate for 1924 they make it for 1927. I hope that when the gentlemen on that side, who are going to sustain this estimate, come along, they will tell you the reason why they made it for 1927 rather than 1924. Does it not seem to you that if the actuary of the Treasury could make an estimate for 1927, three years from now, he could make one for this year? Does it not look reasonable to you that if a man can guess for 1927 he can guess more nearly accurately for 1924?

Mr. TYDINGS. It is hard to guess in a presidential year.

Mr. ABERNETHY. Will the gentleman yield?

Mr. GARNER of Texas. I yield to the gentleman.

Mr. ABERNETHY. These figures prepared by Mr. McCoy were printed yesterday in about 100 copies, as I understand. I want to say to the gentleman that myself and other Members tried to get a copy of them and we were informed we could not get any, that they had been sent back for revision and re-printing.

Mr. GARNER of Texas. I regret the gentleman could not get a copy. They should have given him one. I would have given him my copy if he had asked for it. I understand from the intimations of the Clerk that there are plenty of copies available now and the gentleman from North Carolina can get one.

Mr. MOORE of Virginia. May I ask the gentleman a question?

Mr. GARNER of Texas. Certainly.

Mr. MOORE of Virginia. You talked this morning about one statistician and his estimates. What has the Treasury done with that statistician who about a year ago predicted we were going to have a deficit of \$600,000,000 for this fiscal year. What has become of him?

Mr. GARNER of Texas. I presume he has gone. The Secretary used him for his purpose, which was to defeat the bonus and mislead the country, and the result is he probably fired him when he got through with him.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. GARNER of Texas. Just one minute more. I want you gentlemen to remember and I want you Republicans to remember that when you discuss this estimate, you discuss a guess made for 1927, and I defy you to get an estimate for 1924. [Applause.] Just turn and look at that estimate a moment and you will see its falsity on its face. He estimates you will get more revenue under a low rate of taxation than you will under a high rate of taxation. No other actuary ever made such an estimate in the history of this country, and this actuary can only do it by saying there will be good times in 1927 and there might be bad times in 1924. [Applause.]

Mr. Chairman, I yield 40 minutes to the gentleman from Mississippi [Mr. COLLIER].

The CHAIRMAN. The gentleman from Mississippi is recognized for 40 minutes.

Mr. GREEN of Iowa. If the gentleman from Mississippi will permit, I would like to announce that the gentleman from Oregon [Mr. HAWLEY] will speak after the remarks of the gentleman from Mississippi.

Mr. COLLIER. Mr. Chairman and gentlemen of the House, in the course of my remarks this morning I want to also pay my respects and analyze the ridiculous attitude taken by the gentleman from New York [Mr. MILLS] yesterday in estimating three years in advance that there will be a loss somewhere in the neighborhood of \$600,000,000 under the Democratic plan. I think that a careful analysis of the reasons upon which these estimates were based will on their face show their absurdity, and at the proper time I will pay my respects to that proposition, which seems to be about the only thing left that the Mellon-plan supporters have upon which to base any kind of hope at all.

I do not believe, my friends, there has ever been a time in the history of the American Republic when there was greater interest taken by the American people in the matter of tax revision than there is to-day. Not more than a decade ago the national debt of the United States was less than \$1,000,000,000, and our annual expenditures, excluding the postal expenditures, were in the neighborhood of \$700,000,000 only. But to-day a different situation confronts the people of the United States. The expenses of an unexpected war placed a debt, roughly speaking, of \$25,000,000,000 on the Government of the United States. Governmental expenditures are many times more than they were before the war. The annual interest that we pay to the holders of American securities on the various Liberty bond issues is more than a sufficient sum to have met the total expenses of the Federal Government less than a decade ago.

It is now over five years since the armistice was signed and there are still upon the statute books many of those methods of taxation which we were forced to adopt when we were in the midst of hostilities. At that time it was found necessary to resort to nearly every known method of taxation. But the war has been over for over half a decade and it is time that the American people should be given some relief from the burden of these heavy war taxes under which they are now staggering.

The need for tax reduction was recognized by the administration over two years ago, but the revenue act of 1921 gave only a small measure of relief. From every section of our country now comes a demand that these enormous war taxes be reduced. The party in power, recognizing this demand and realizing that it would be dangerous to them to longer delay action on a matter of such vital importance to the American people, have at last taken steps to bring about some kind of a tax revision.

At the opening of the present Congress, after the long vacation of eight months, the Republican majority were in a bad way politically speaking. No real economy in governmental expenditures had been shown. Taxes were nearly as high as they were when we were in the midst of actual hostilities. The great Republican majority in the House of 139 in 1921 had been reduced to the bare numerical majority of 18 in 1923. Nor was this majority of 18 an actual majority, for the Republican Members of this House, disorganized, torn by factional differences, hopelessly divided upon many important questions now confronting the American people, were absolutely unable to legislate on many matters of vital interest both to the country and to their party organization.

In order to be returned to this House many Republican Members found it not only necessary to denounce and repudiate the acts of their own administration, but they found that it was imperative to make affiliations with new parties, and, though nominally calling themselves Republicans, are yet more hostile to the old Republican guard and its institutions than the Democrats themselves.

The election of 1924 was coming on, and the Republican leaders realized that something must be done and done at once

or matters political would go from bad to worse. Therefore, Mr. Mellon wrote his famous letter to Mr. GREEN, chairman of the Ways and Means Committee, asking for a reduction in Federal taxes.

The plan as outlined by Mr. Mellon in his letters to Mr. GREEN was well received by the public. Reduction in taxation is always a popular theme, though never more so than now when the tax burdens under which the American people are laboring were never in times of peace more oppressive than they are to-day.

No plan for tax revision was ever more adroitly staged. It was brilliantly conceived. The stage had been well set by Mr. Mellon's letter. The President's message was the overture and then the curtain arose upon the most gigantic and stupendous plan of propaganda ever before known in the history of the American Congress.

Long before the details of the Mellon plan were even given to Congress the Congress was overwhelmed with letters and telegrams from every section of this country indorsing the Mellon plan in all its particulars, asking us to accept this plan without amendment, and imploring us to vote against any other suggestion as to how the Federal taxes might be reduced.

Especially were the members of the Committee on Ways and Means deluged with these letters and telegrams, hundreds of them written before Congress had even seen the plan, which is embodied in a bill of considerably over 300 pages of printed matter, all asking us to support the bill in toto.

Many of these letters, written at the same time and in different sections of the country, were identical in language, and one differed from the other in not so much as the dotting of an "i" or the crossing of a "t." Some of them were in the nature of printed circulars, but all of them insisted that the Mellon plan was the salvation of the country, though the Congress itself did not know what the Mellon plan was, save from the brief synopsis in the letter Mr. Mellon wrote to Mr. GREEN of Iowa.

During the time I have been a Member of this House I have seen many attempts to put through legislation by a nation-wide propaganda, but never can I recall an instance where the propaganda was conducted on so large a scale as in the efforts to pass the Mellon plan, and never before have I known the propagandists to start before anyone had knowledge of what was in the bill.

As a matter of curiosity I would really like to know the amount of money that has been spent in newspaper publicity and in circularizing Congress in the interest of the Mellon plan. This propaganda was carried to such an extent that many of the staunch Mellon plan supporters became alarmed with the immense amount of circular mail sent out in favor of the Treasury proposal.

All of this propaganda, however, has nothing to do with the real merits of the plan. It had some good features in it. There are some sections in the bill that I heartily approve. The Secretary of the Treasury has advocated some reductions the Democratic minority implored the majority party to adopt in the revenue act of 1921. To all such suggestions we again give our unqualified approval. Some new administrative sections in the bill close gaps through which in other revenue bills the taxpayer passed as he evaded the just payment of his taxes. Illumined by the light of many years' experience in the Treasury Department in the collecting of income taxes, many of the various sections in existing law have been broadened and clarified to the profit and the convenience of both the Government and the taxpayer.

We have tried especially to simplify those sections relating to corporations in so far as they refer to reorganization and the exchanging of stock in one corporation for stock in another corporation. I believe the committee, with the able assistance of Mr. Gregg from the Treasury Department, has accomplished something on this line.

We have repealed or amended many sales-tax sections.

We assisted the majority in the removal of the tax on soft drinks, clothing, admissions up to 50 cents, carpets and rugs, boots, hunting garments, valises, candy, portable electric-light fixtures, and various other items upon which vexatious taxes were levied and upon which the returns to the Treasury were almost negligible, though the cost of their collection was great.

We joined the majority in reducing the tax on jewelry and silver-plated ware from 10 per cent to 5 per cent. But this tax shall not apply to surgical instruments, eyeglasses, spectacles, or silver-plated tableware, nor shall the tax apply to articles sold or leased for an amount not in excess of \$40.

A substantial watch is a necessary part of the equipment of many railroad men in the performance of their duty. The

committee recognized this and all watches of the value of \$60 and under are free from tax.

Believing that the public schools are the hope of America and that no impediment of any kind should be thrown in their way, we removed the \$20 tax on all passenger automobiles used exclusively in conveying children to and from our public schools.

I would have liked to have seen the tax taken off of tires and accessories of automobiles, for such a tax, in view of an existing tax on the sale of an automobile, is close akin to double taxation; but the revenue derived from these sources alone is over \$40,000,000, and the committee in its wisdom decided not to remove this tax.

The tax of 3 per cent upon automobile trucks and wagons should be repealed. Taxes from the automobile schedule bring in nearly \$150,000,000, of which large sum the tax on automobile trucks and wagons contribute only about \$10,500,000. This tax should have been repealed, and I hope that when the House considers the bill under the five-minute rule that an amendment removing this tax will be adopted.

We gladly joined the majority in removing the tax from telegrams and telephone messages, which tax was not alone vexatious, expensive, and annoying but was also a direct tax on business.

There is an important change in existing law in reference to the taxation of earned incomes as distinguished from unearned incomes. There is an arbitrary definition of an earned income in the bill. All incomes not in excess of \$5,000, whether the income is earned or not, are considered earned incomes. A deduction of 25 per cent in the tax on all earned incomes up to \$20,000 is provided in the bill. The arbitrarily declared earned income of \$5,000 is of course included in this \$20,000 exemption.

The administrative features of this earned-income section have been simplified and made clear. The tax is computed in the regular way and then the deduction is placed on the proportionate part of the tax that the earned income bears to the entire income. For instance, if the taxpayer had an income of \$15,000, of which \$5,000 was earned and \$10,000 unearned, the tax would be computed upon the entire \$15,000, which, roughly estimated, would be about \$900. One-third of this income of \$15,000 was earned income; therefore one-third of the tax of \$900 will be the tax on the earned income, and upon this one-third, \$300, a deduction of 25 per cent, or \$75, will be made.

I am very much in favor of the distinction in the taxing of earned and unearned income, but I am very much opposed to the narrow scope which the bill before the House has confined the definition of an earned income.

In the bill an earned income is only one that is received from salaries, wages, or income received by professional men. This definition should be broadened. It should include the income received by a farmer from what he makes on his farm, and it should also include the income received by the small business man, especially where the business is largely conducted by the personal efforts of the owner of such business. We will offer an amendment to the bill to broaden the definition of earned income to include the income of farmers and of business men. I hope that this amendment will be adopted.

There should be a distinction between an earned and an unearned income. In unearned income the capital from which this income is derived remains intact. The income may be spent or dissipated each year, yet the capital remains the same. Neither the sickness, the incapacity, nor the death of the owner of an unearned income affects the capital involved.

A very different situation is created in reference to earned income, which represents not the capital but the individual earning capacity of the owner of this income, and which income may be diminished, or may entirely cease by reason of the illness, the misfortune, or the death of the owner of such income.

It is a well-established principle of taxation that the tax burdens should be, as nearly as possible, so distributed that they will be borne by those in proportion to their ability to pay, and the amendment which we intend to offer conforming to this principle, will, I feel sure, commend itself to the American people as being both just and equitable.

Mr. Chairman, what are the real differences between the Mellon plan and the Democratic plan? There are only two real points in controversy.

These differences are the differences in the exemptions and the difference in the normal and surtax rates in the respective plans.

First as to exemptions. The Mellon plan does not change existing law in reference to exemptions. In the case of a single person there is still an exemption of \$1,000; in the case of the





Comparative table showing the total tax payable by a married person without dependents, etc.—Continued.

| Income.  | Present law tax. | Mellon plan tax. | Dollars reduction. | Percent-age reduction. | Democ-ratic plan tax. | Dollars reduction. | Percent-age reduction. |
|----------|------------------|------------------|--------------------|------------------------|-----------------------|--------------------|------------------------|
| \$96,000 | \$27,960         | \$18,640         | \$9,320            | 33.33                  | \$24,470              | \$3,490            | 12.48                  |
| 97,000   | 28,500           | 18,940           | 9,560              | 33.54                  | 24,970                | 3,530              | 12.39                  |
| 98,000   | 29,040           | 19,240           | 9,800              | 33.74                  | 25,470                | 3,570              | 12.29                  |
| 99,000   | 29,580           | 19,540           | 10,050             | 33.97                  | 25,970                | 3,620              | 12.23                  |
| 100,000  | 30,140           | 19,840           | 10,300             | 34.17                  | 26,470                | 3,670              | 12.18                  |

Listening to the advocates of the Mellon plan, one would be led to the conclusion that there is only one rate that will restore conditions to normal and give relief to the overburdened taxpayers—24 per cent will not do it; 26 per cent is as bad as 24 per cent, and it will fail to give relief. No, it must be 25 per cent, for Mr. Mellon tells us that is the right figure, and we are warned that if we depart from the 25 per cent rate, so carefully and mathematically worked out by the distinguished Secretary of the Treasury, we will be confronted with a presidential veto.

Mr. Speaker, there is nothing sacred about a rate. There is of course a certain point above which or below which it might be unwise to go in placing minimum and maximum rates of taxation. Mr. Mellon believes that the maximum rate should be only 25 per cent. We believe that this rate should be 44 per cent. We may be right, the Secretary may be right, or we may both be wrong, for some other rate between 25 per cent and 44 per cent might be a more just and equitable rate, but there is nothing sacred, nor is there any mathematical exactitude by which anyone can say that a certain rate only and no other is the rate that is the proper one to put in this bill. Why should 25 per cent instead of 24 per cent, or 26 per cent, be the exact, the fixed, and only rate that is worthy of being considered. At best these rates are only estimates fixed on income-tax returns, which vary considerably each year, and to my mind it is folly to contend that there is anything fixed, sacred, or immutable about a particular rate being the only one that should be or shall be considered.

Mr. Mellon tells us that 25 per cent is the only one that should be considered and that it is the only one that will give relief. Mr. GREEN, chairman of the Ways and Means Committee, tells us that 35 per cent is the lowest rate that he will go in fixing a maximum tax rate. Mr. Otto Kahn, of Kuhn, Loeb & Co., tells us that a rate of less than 40 per cent will cause the Government to lose money, yet Mr. Mellon says that anything over 35 per cent will cause the Government to lose revenue. Mr. Emory says 33 per cent, and many others would fix this maximum rate at various percentage figures.

But the Secretary of the Treasury says that the rates in the Democratic plan are so high that they will give no relief because they will be too burdensome on the taxpayers. As soon as he saw the Democratic plan he rushed into print and denounced the rates as being unscientific and too high and declared that they were nearly as bad as the existing rates. When we answered that by showing how many millions more of people in the United States would be benefited by the Democratic plan than by the Mellon plan, then the Secretary on February 2 comes out in a statement and tells us that the rates are too low, and that approximately \$600,000,000 will be lost to the Treasury if the Democratic plan is adopted. And he comes back to his original proposition that the only real scientific plan is his rate of 25 per cent.

The position of Mr. Mellon is very similar to the incident of the man who borrowed a kettle from a friend. When the kettle was returned it was found to be broken. The owner of the kettle demanded reparation. The borrower replied, first, that he did not borrow the kettle; second, that the kettle was broken when he borrowed it; and, third, that the kettle was in good condition when he returned it. [Laughter.] The Secretary tells us first that the rates in the Democratic plan are too high, and, second, that they are too low. He is trying to attack us both from the front and the rear at the same time. He should elect upon which one of his charges he intends to rely. I will frankly admit that I am bewildered when I am called upon to meet the double charge that the rates we impose are too high and that they are too low.

The fact about this is, Mr. Speaker, that the Secretary is mistaken in telling us that the Democratic plan will cause a loss of revenue of about \$600,000,000. The Secretary is probably indulging in estimates as to how much of this loss will be

caused by what amount he thinks will escape taxation and go into tax-exempt securities, and there is no man living who can correctly estimate that. Mr. Kahn, one of the great Republican financiers, tells us that we will get more revenue at a rate of 40 per cent than at a rate under 40 per cent, so at best this is only an estimate of the Secretary.

The following tables give a comparative estimate of the effects on the revenue of the proposed changes in the individual income tax law under the rates in the proposed—Mellon—bill, as also under the rates to be offered by the minority during the consideration of the bill in the House. These estimates were prepared by the Treasury Department, and are as follows:

Estimated effect upon the revenue of the proposed changes in the individual income tax law upon the base of 1921 returns.

DEMOCRATIC PLAN.

| Income-tax brackets.          | Number paying tax in each bracket. | Loss in tax as compared with 1921 returns. |                |
|-------------------------------|------------------------------------|--|----------------|
|                               |                                    | Normal tax (loss).                         | Surtax (loss). |
| Under \$5,000.....            | 1,138,626                          | \$125,851,730                              | .....          |
| \$5,000 to \$10,000.....      | 494,512                            | 31,917,612                                 | \$29,074,177   |
| \$10,000 to \$20,000.....     | 172,359                            | 3,250,059                                  | 40,934,915     |
| \$20,000 to \$50,000.....     | 58,115                             | 4,163,826                                  | 31,041,551     |
| \$50,000 to \$100,000.....    | 11,069                             | 5,322,532                                  | 6,479,935      |
| \$100,000 to \$150,000.....   | 2,352                              | 1,926,284                                  | 6,284,579      |
| \$150,000 to \$200,000.....   | 985                                | 703,252                                    | 4,402,203      |
| \$200,000 to \$300,000.....   | 535                                | 805,519                                    | 5,650,003      |
| \$300,000 to \$500,000.....   | 246                                | 1,270,491                                  | 5,613,084      |
| \$500,000 to \$1,000,000..... | 84                                 | 544,445                                    | 4,356,086      |
| Over \$1,000,000.....         | 21                                 | 468,636                                    | 5,966,654      |
| Total loss.....               |                                    | 186,267,386                                | 139,803,195    |

MELLON PLAN.

| Income-tax brackets.          | Number paying tax in each bracket. | Loss in tax as compared with 1921 returns. |                |
|-------------------------------|------------------------------------|--|----------------|
|                               |                                    | Normal tax (loss).                         | Surtax (loss). |
| Under \$5,000.....            | 3,589,985                          | \$50,172,577                               | .....          |
| \$5,000 to \$10,000.....      | 525,606                            | 15,435,300                                 | \$29,074,177   |
| \$10,000 to \$20,000.....     | 172,359                            | 1,750,702                                  | 31,001,187     |
| \$20,000 to \$50,000.....     | 58,115                             | 2,278,141                                  | 30,497,417     |
| \$50,000 to \$100,000.....    | 11,069                             | 4,366,853                                  | 34,423,112     |
| \$100,000 to \$150,000.....   | 2,352                              | 1,292,083                                  | 20,539,169     |
| \$150,000 to \$200,000.....   | 985                                | 540,163                                    | 11,372,454     |
| \$200,000 to \$300,000.....   | 535                                | 430,510                                    | 12,359,386     |
| \$300,000 to \$500,000.....   | 246                                | 250,990                                    | 11,226,168     |
| \$500,000 to \$1,000,000..... | 84                                 | 272,872                                    | 8,494,366      |
| Over \$1,000,000.....         | 21                                 | 124,663                                    | 11,364,807     |
| Total loss.....               |                                    | 77,014,854                                 | 200,352,243    |

The charge made by the Secretary of the Treasury and by Mr. MILLS, of New York, that in the Democratic plan there will be a loss of nearly \$600,000,000 is the only matter of importance that we have to consider now, for I believe I can safely say that we on the Democratic side feel that we have made out our case against the Mellon plan.

The only proposition now confronting us is to dispel the charge made by Mr. Mellon and Mr. MILLS that the Democratic plan will result in the loss of revenue of nearly \$600,000,000.

Let us take up now what the distinguished gentleman from New York [Mr. MILLS] has to say. I want to pay my tribute to the ability of the gentleman. He knows how to take care of himself on this floor. He knows how to explain his proposition. If his love for the common people of this country were commensurate with his ability, what a useful man he would be.

I do not want to say that Mr. MILLS yesterday intentionally made a mistake, but he stated in his speech that the year after these rates were enforced there would be a deficit of nearly \$600,000,000, according to the statement made by that wonderful clairvoyant in the Treasury Department, the actuary, Mr. McCoy. Is there any Member here who, when Mr. MILLS made that statement yesterday, did not believe and did not get the impression from the statement that that deficit of between five and six hundred million dollars was going to occur next year, instead of three years from now?

Mr. MILLS. Mr. Chairman, will the gentleman yield?  
Mr. COLLIER. Yes.

Mr. MILLS. I said the actual deficit would be \$320,000,000, not \$600,000,000. I said the loss would be \$600,000,000.

Mr. COLLIER. I am talking about the loss. I realize the gentleman said there would be \$268,000,000 loss in the normal tax, \$68,000,000 in the earned income, and \$265,000,000 in the surtax, but that part is immaterial. Our contention is that there will not be any at all. What I am contending now is that many Members left the House yesterday under the impression that this immense deficit in the Treasury would be next year,

instead of three years from now. We will find in the RECORD where Mr. MILLS stated that it would be one year after the bill went into full effect, and while I say I do not charge Mr. MILLS and do not believe he would make any mistake intentionally, yet I do charge him with passing over that part of it mightily quickly and failing to emphasize that this deficit was going to happen three years from now, instead of next year.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. COLLIER. Yes.

Mr. MILLS. I am now reading from my remarks of yesterday, on page 2441 of the CONGRESSIONAL RECORD, in the right-hand column:

McCoy explained to the committee yesterday that he estimated the effect of the tax reduction on the income reported in each bracket, and then made his estimate of what the returns would be for the year after the first year, when these rates went into full effect.

Not next year, but the year after the first year when the rates go into effect. That is what I said yesterday.

Mr. COLLIER. That is what I am complaining about. If the gentleman did that, then why does he put in his remarks this, as you will all see by turning to the CONGRESSIONAL RECORD on pages 2442-2443?—

Estimated effect upon the revenue of the proposed changes in the individual tax law, upon the base of returns for the second year after the law is in full effect.

Mr. MILLS. That is what I said.

Mr. COLLIER. In other words, my friends, what I am contending is that many Members left this House yesterday impressed with the idea that the gentleman from New York had meant to convey the idea that there would be a deficit next year of nearly \$600,000,000 in the Federal Treasury.

Now, I want to say that the gentleman from New York [Mr. MILLS] was very anxious for that to be 1925 instead of 1927. Let me read from the hearings just for a moment. Mr. MILLS was talking to this actuary, Mr. McCoy, who comes in the day before the bill was to be considered with his wonderful estimate. Mr. MILLS asked:

They took into consideration certain probabilities, the probable revenue and increased revenue due to the alteration of rates. In so far as Mr. GARNER is concerned, you prepared two sets of figures, did you not?

Mr. McCoy. Yes.

Mr. MILLS. One based on the actual returns of 1921 and the other based upon the probable returns of 1925?

Mr. McCoy. Well, for the second year after the act was in full force.

So Mr. MILLS was harping on 1925 when he was in the committee.

Now, how are these wonderful estimates arrived at? Look at the ridiculous situation. In January, 1922, the Treasury Department through its actuaries came before the Committee on Ways and Means and told us that there would be a deficit of \$279,000,000 for the year 1923. Instead of a deficit there was a surplus of over \$300,000,000. These actuaries' opinions were estimated only on the current year, when they had full information of the condition of business before them. Mr. McCoy in his testimony day before yesterday explained, and we all know that the income-tax returns depend, whether large or small, on the business done in the United States. Now, the income-tax returns for 1922 have never been in the hands of the actuaries. The income-tax returns for 1923 have not yet been considered. The income-tax returns for 1924 have not yet been made.

The income-tax returns for 1925 and 1926 have not yet been made and yet this clairvoyant from the Treasury Department tells us what business conditions will be in 1927, and tells us how much revenue will be paid in income taxes for that year. With the conditions, the business conditions of the current year before them, the actuaries of the Treasury Department made a mistaken estimate of nearly \$600,000,000, and in the face of this inexcusable mistake in the estimate for only one year the Treasury actuaries now tell us that way yonder in the year 1927 they know what the actual business conditions will be. [Applause.]

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. COLLIER. In one second. Did they make their estimate on past tax returns? The only returns the Secretary of the Treasury had given to the public were the returns for 1921. Did they make the estimate on the returns for 1922? No. Did they make this estimate on the returns for 1923? No; for there had already been a mistake in the estimate for that year of nearly \$600,000,000. Mr. McCoy based his estimate on two

premises, two premises of that wonderful clairvoyant who can "dip into the future as far as mortal eye can see." [Laughter.] He based it on two premises: First, that the Democratic rates of 44 per cent would be so high that millions of dollars of capital that otherwise would go into business would be diverted and go into tax-exempt securities.

Now, let us read from the testimony and answer his question. I want to answer the gentleman's argument by quoting an authority that Mr. MILLS can not impeach. I will put his own witness on the stand—quoting his own witness. I want to answer this clairvoyant by quoting this clairvoyant himself. Mr. GARNER said in the hearings day before yesterday:

But if I understood Mr. McCoy, he said this:

"That in 1922, up to July, conditions were not so good; but after July 1, especially in the last four months, business picked up, was extraordinarily good, and therefore brought in 1,000,000 more taxpayers; and that it was only on account of the picking up of business that the increase in taxes occurred."

Mr. McCoy. Yes.

Mr. GARNER. And that was under a 50 per cent surtax?

Mr. OLIVER of Alabama. For what year?

Mr. COLLIER. For 1922.

Now, my friends, if under the maximum income-tax rates, under those conditions, in the short space of five months, 1,000,000 additional taxpayers may be added and a surplus of over \$300,000,000 can be brought into the Treasury, why should anyone fear that because this surtax has been reduced to 44 per cent under good business conditions the same thing will not again occur?

Now, what is the other conclusion of Mr. McCoy's?

Mr. CROWTHER. Mr. Chairman, will the gentleman yield?

Mr. COLLIER. Yes.

Mr. CROWTHER. Does not the gentleman think that that great and tremendous advance for business and prospects of the future was the result largely of the Fordney-McCumber tariff bill?

Mr. COLLIER. No. If I said "yes" to that I would fool myself. [Laughter.]

Mr. CROWTHER. I know that the gentleman is strong for protection for himself; that is, for the products of his own State, like other Democrats, and then will vote against a bill generally which carries provisions based on the same principle.

Mr. COLLIER. If the gentleman can find in the record of this House any record where I have voted for protection on the articles produced in the State of Mississippi, then I will admit that I am wrong.

I voted against the tariff on cotton, and it is a fact that it constitutes 90 per cent of the agricultural products of my district. But since the gentleman brought up the subject, I want the chairman to give me 10 minutes more time so that I may devote myself to the discussion of this tariff question. I think we ought to vote on the subject in its entirety and not on one portion of the subject only. I thank the gentleman from New York for his suggestion on that line.

Mr. CROWTHER. Will the gentleman yield further?

Mr. COLLIER. I yield to my friend; yes.

Mr. CROWTHER. I suggest to the gentleman—

Mr. GREEN of Iowa. Mr. Chairman, I rise to a point of order, and if I had been here when this colloquy started I would have made it earlier. But both gentlemen will remember that the rule under which we are operating confines debate to the bill under consideration.

Mr. COLLIER. The gentleman need not be afraid that I am going to violate the rule, because I think the tariff question is one that is linked up with the question of taxation, and in discussing the tariff question I think I will, indeed, be in order.

Mr. CROWTHER. Will the gentleman yield?

Mr. COLLIER. Let me go on to these other great questions, and then I will yield to the gentleman. I expect to have a lot of good times in colloquy with the gentleman from New York. He is right in many things but awfully wrong on the tariff.

Mr. HOWARD of Nebraska. Will the gentleman yield?

Mr. COLLIER. I will.

Mr. HOWARD of Nebraska. I promise not to inject anything diverting either to the speaker or, I hope, to the Mellonites. I have a suggestion to offer to the speaker. He has frequently introduced the prophecy of the Mellonites without laying a proper foundation; he has introduced the prophecy of the Mellonites with reference to the year 1927. Joshua, when he made his prophecies, knew that his Master would be in control in years ahead, but no Mellonite has any right to

believe that the Mellonites will be in control in 1927. [Laughter and applause.]

Mr. COLLIER. There is no question about that, and I thank the gentleman very much.

Now let us come to the other conclusion. What is the other reason for this wonderful three-year estimate? The other reason is that because the Democratic plan is so unscientific, so unwise, and, as the Secretary of the Treasury said, according to newspaper reports, is nothing but a political makeshift and is insincere, the returns to the Treasury will be so small that there will not be—

Mr. MILLS. Will the gentleman yield, if he has definitely left the discussion of the McCoy estimates, because I would like to make that entirely clear.

Mr. COLLIER. I will be glad to have the gentleman do so.

Mr. MILLS. Those estimates apply to the year 1926 and not to the year 1927. Assuming that this bill is to become a law before July 1 and apply to 1925 incomes, the McCoy figures apply to the year 1926.

Mr. COLLIER. That is a difference in calculations. The McCoy figures are based on the time when this income law shall have been in full effect, and if it did not go into effect until July 1 it would not be in full effect for that year and would not be in full effect until 1927. But what I want to ask my good friend is this: Why is he so terribly interested in this 1927 proposition? Why, as the gentleman from Nebraska has said, everybody in this country knows—and I surely thought the gentleman from New York knew—that no Republican administration would have anything to do with either a deficit or a surplus in 1927. [Applause.]

Now, Mr. Chairman, I dislike very much in the discussion of a House bill to use the name of a Cabinet member so often. I regret that the Secretary of the Treasury has seen fit to criticize the motives and the sincerity of the minority members of the committee because, according to the press reports, he is quoted as saying that our bill is nothing but a political makeshift and that we are insincere in offering it. If we wanted to retaliate in kind there would be abundant circumstances which would bear out our assertion. We could point to former plans offered by this great champion of the small taxpayer and contrast those former plans with the one he is offering to-day, if we wanted to charge the Secretary of the Treasury with insincerity, as he has charged us with insincerity.

If we wanted to charge him with playing cheap politics, as he has charged us with playing cheap politics, we could tell you how, when the Secretary came before the committee in 1921—and the gentleman from Texas [Mr. GARNER] referred to it yesterday—he offered a plan which gave relief to all income-tax payers whose incomes were over \$66,000, and when the gentleman from Wisconsin [Mr. FREAR]—and I have it right here—asked him what suggestions he had to make as to the taxpayers under this 40 per cent, or \$66,000, he told us he had prepared no suggestions along that line at that time. And when he was asked how we would make up the revenue which would be lost on these larger incomes, he suggested, first—and the gentleman from Texas [Mr. GARNER] read it into the RECORD yesterday—an increase on first-class postage from 2 to 3 cents; then a 2-cent stamp tax on every bank check. Then, behind all of that there was great propaganda for a general sales tax, a tax whereby a poor man with a small income and a large family, paying taxes on what he and his family ate and the clothes they might wear, might, and in all probability would, have to pay more taxes than a rich man with a small family and a large income, because the poor man, or even a man out of employment, with a large family, might have to pay more for things to eat and for things to wear than a rich man with a small family. And now the Secretary comes forward with a bill which practically takes all taxes off of the small incomes and accuses us of playing politics and being insincere.

My friends, let us remember that in 1921, when the Secretary of the Treasury lost sight of the small income-tax payers of this country, it was just after an election; that was just after the Republican Party had gone in by a tremendous majority. But growth and development is the law of nature as well as of politics, and the small income-tax payer of 1921 has developed into a giant in 1923.

But I am not going to accuse the Secretary of insincerity. He has appeared often before our committee and he always impressed me as being sincere and candid. I know he is sincere in wanting this rate to be 25 per cent. All his training and all his environment would suggest that. I am only saying this to show how easy it is to charge other people with insincerity.

My friends, there is one little matter I want to discuss before I take up with my friend from New York that de-

lightful subject of the tariff. It is contended that our tax plan will make taxes so high that business will be diverted. Let us see about the charge that we are so heavily taxing the rich that industry and commerce and agriculture and business will be injured.

I am going to talk in round numbers because my time is running on. In 1921—and they are the only figures we can get—there were, in round numbers, \$1,400,000,000 paid in income and corporation taxes. Of this \$1,400,000,000, over \$700,000,000 were corporation taxes which only paid 12½ per cent. That left \$700,000,000 that paid surtax and normal tax. Of this \$700,000,000, over \$425,000,000 would pay a less rate under the Democratic plan than under the Mellon plan. Therefore, my friends, out of a total tax collection of \$1,400,000,000, considerably less than \$300,000,000 out of that amount will pay a tax rate higher under the Democratic plan than under the Mellon plan. Of this \$300,000,000, there is about \$100,000,000 practically that will pay just a little more under the Democratic plan. Therefore, in order to justify the position of the Secretary and the supporters of the Mellon plan that the Democratic plan is going to disturb business, all they have to work on is about \$200,000,000, which pays a higher tax under the Democratic plan than under the Mellon plan; about \$200,000,000 or \$250,000,000 out of \$1,400,000,000.

There were in the United States in 1921, according to the Report of the Bureau of Internal Revenue, 6,650,695 persons who made income-tax returns. Of these 6,650,695 only 9,433 will be benefited more by the Mellon plan than they will by the Democratic plan, while 6,641,262 persons will be benefited more by the Democratic plan than by the Mellon plan.

In the State of Mississippi, which I have the honor in part to represent, there were in 1921, according to the report from the Bureau of Internal Revenue, 25,614 persons who made income-tax returns. Of these 25,614 persons, the Mellon plan will give more relief to only 9 of them than the Democratic plan will, while the Democratic plan will benefit 25,605 more persons than the Mellon plan.

In the States of Arizona, Idaho, Nevada, New Mexico, North Dakota, South Dakota, Utah, and Wyoming only 23 persons will be benefited more by the Mellon plan than the Democratic plan, and 158,531 more persons will be benefited by the Democratic plan than they will be under the Mellon plan.

Let us take some of the big States. Let us take New York, Ohio, Illinois, New Jersey, Pennsylvania, and Massachusetts and see how this plan works in those rich States which are financial centers of the United States. In these six States there were in 1921, 3,323,932 persons who made income-tax returns. Of these 3,323,932 persons who made returns 6,798 of these persons will receive a greater benefit under the Mellon plan than they will under the Democratic plan. Of these 3,323,932 persons in those States who made returns in 1921, 3,317,134 of them will receive greater benefit under the Democratic plan than they will under the Mellon plan.

Why, gentlemen, do you know that no income-tax payer with incomes over the \$3,000,000 bracket paid any normal tax at all. They talk about our taking 50 per cent from any one man. Why, there are six taxpayers paying on an income in excess of \$3,000,000 who would pay only 25 per cent on the excess of \$3,000,000 under the Mellon plan, and yet under the same plan a taxpayer with excess of \$100,000 would pay a rate of 31 per cent. These income-tax payers would under the Democratic plan pay on the excess of \$3,000,000 only 44 per cent. And yet they continue to talk about taking half of the income of these large taxpayers.

I want to call your attention to one paragraph in the minority report, which is as follows:

This difference in principle of the two plans is well illustrated when under the proposed bill, according to the Treasury estimates, the taxes of 21 income-tax payers will be reduced \$11,500,000 per annum, and that of 1,000,000 income-tax payers, in the lower brackets, will be reduced less than \$4,000,000 per annum. To put it another way, the proposed (Mellon) rates will reduce the taxes of 21 income-tax payers three times as much as it will reduce the taxes of 1,000,000 income-tax payers, whereas under the Democratic plan we reduce the taxes of the 21 income-tax payers in round numbers \$6,000,000 and relieve entirely from income taxation more than 1,000,000 of the small income-tax payers. The proposed Mellon bill is drawn for the purpose of giving principal relief to the large taxpayer and our plan is based upon giving relief to all income-tax payers, but the larger percentage of relief to the small taxpayer.

Mr. MURPHY. Will the gentleman yield for a question?

Mr. COLLIER. I yield for the inevitable question.

Mr. MURPHY. Will he state, in his judgment, whether there will be sufficient income to take care of the soldiers' ad-

just compensation bill if either the Garner bill passes or the Mellon bill, so called, passes?

Mr. COLLIER. Will the gentleman answer me a question?

Mr. MURPHY. I do not know that I can; but you are a member of this committee and have given the matter careful consideration.

Mr. COLLIER. It has been plainly and unequivocally stated that the Mellon plan will not; and I take it, then, the gentleman is not for the Mellon plan.

Mr. MURPHY. Yes; I am going to support any tax measure I can that will relieve the burden, but I am also for the soldiers' adjusted compensation bill. I want to know if the Garner plan will furnish sufficient income to take care of this obligation that this Government, your party and mine, in the last campaign promised the soldiers?

Mr. COLLIER. I want to say to the gentleman, because he has asked the question in all sincerity of every speaker who has addressed the committee—

Mr. MURPHY. I am absolutely sincere.

Mr. COLLIER. I want to give him a courteous answer. I believe, my friends, in fact, we contend that our plan will raise for the next year somewhere in the neighborhood of \$100,000,000 more than the Mellon plan, and whether the Mellon plan—which the gentleman says he intends to support—will raise the money for the soldiers' bonus or the Garner plan, I tell you that the Democratic plan will raise the greater amount and come nearer to raising the money for the bonus; and I want to say to the gentleman that there are plenty of ways of getting the money for the soldiers' bonus. There is no question about that.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. COLLIER. As the gentleman from Texas [Mr. GARNER] is not here, I yield myself 10 minutes more in his absence.

The CHAIRMAN. The gentleman from Mississippi is recognized for 10 additional minutes.

Mr. COLLIER. As I understand it, Mr. Mellon has stated his plan would not, and I believe from the temper of this House and from the speeches I have heard in favor of the proposition that some plan can and will be devised, but I want to say to the gentleman who tells me he is disposed to support the Mellon plan that the Democratic plan will come nearer doing it than the Mellon plan.

My friends, after yielding myself 10 minutes more I intended to speak about how the administrative features of this bill permitted some money to be recovered from capital that has been invested in tax-exempt securities. We have provided in that section which permits the taxpayer to deduct from his gross income the interest he has paid on indebtedness and his losses for the year, in order to determine his taxable income, those losses of a nonbusiness character only and to the extent when such nonbusiness losses exceeds the amount of income the taxpayer has received from nontaxable security.

I will give an illustration. The taxpayer has a taxable income of \$100,000. He also has \$30,000 additional income from tax-exempt securities. Of course the \$30,000 from tax-exempt securities is nontaxable. But the taxpayer has a nonbusiness loss for the year of \$10,000. Under existing law he will be permitted to deduct this loss of \$10,000 from his income of \$100,000, and he will be taxed on an income of \$90,000. The tax-exempt income of \$30,000 is not considered at all by the Treasury. In the bill the taxpayer will be permitted to deduct his nonbusiness losses only to the extent these losses exceed the amount of nontaxable income he has received. In the example given the taxpayer would have to show a nonbusiness loss of over \$30,000 before any deduction could be made, and, therefore, he would have to pay a tax on the income of \$100,000, instead of deducting \$10,000 as he is now permitted under existing law.

I intended to speak at some length about the excise taxes, but I have already referred to them. I regret very much the committee did not go further in repealing these taxes.

I would like to see all these nuisance taxes repealed. They are an inheritance of the war, when the need for revenue was so great that nearly everything upon which a tax could be levied was eagerly sought and a tax placed on it. They ought to be repealed now. I regret very much we did not go further along that line. I expect to offer an amendment, if some one else does not offer it before I have the opportunity, to remove the stamp taxes on conveyances and deeds and promissory notes. I believe that the 3 per cent tax on auto trucks and wagons ought to be repealed. We get \$144,000,000 from the automobile schedule. The tax on auto trucks and wagons of only 3 per cent brings in less than \$11,000,000. It is a direct tax on business and I believe that that tax should be repealed.

Mr. YOUNG. Will the gentleman yield?

Mr. COLLIER. Yes.

Mr. YOUNG. Has the gentleman taken into account the immense sums of money appropriated from the National Treasury and from the State treasuries for roads.

Mr. COLLIER. Yes; and I would be willing to switch some of these taxes, as Mr. GARNER told you yesterday. Why did you take the tax off of yachts and dirks and bowie knives and leave it on automobiles and deeds of trust? I would like to switch some of those taxes, if we can not do it any other way.

Mr. Chairman, this is the first time I have ever made a speech on a revenue bill that I did not have the pleasure of criticizing very severely so many majority Members.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. COLLIER. I yield, with pleasure.

Mr. GREEN of Iowa. Does the gentleman know how much tax was collected on dirks and bowie knives—\$1,001. It cost the Government more to collect it than the Government got out of it.

Mr. COLLIER. Well, I reckon that is true. The Secretary permitted us to do that.

My friends, this is the first time, I believe, I ever made a talk on a revenue measure that I did not have the pleasure of criticizing nearly all the majority Members, and I feel the deprivation of that right at this moment.

But it would be unjust and most unfair to criticize any Member of the majority. I have been taught from my early childhood that it is wrong to hold one man responsible for what another man has done. No Member of the majority is responsible for any material section in this bill. The Constitution of the United States plainly and unequivocally directs that all matters pertaining to revenue shall originate in the House of Representatives. And yet the Ways and Means Committee has had no more to do with any material section in the bill than the Committee on the Disposition of Useless Papers, and I think it would have been better if some of the sections had been referred to that committee. [Laughter.]

But I want to say in fairness that the Secretary was good to us. I can find no coercion on the part of the Secretary nor from the Executive in reference to our votes on the taxes on dirks, stilletos, sword canes, and fans, nor on yachts and bowie knives. [Laughter.] But when it came to the material sections in this bill—and I hope I am not violating the privileges or making improper statements and trespassing on any of the proprieties that are thrown around the executive sessions of the committee when I say to you that when it came to any material section of this bill I will never forget the maddening monotony of the motion of "Mr. Chairman, I move that the section as written in the draft be passed."

Did it pass, Mr. Chairman? Does the shipwrecked mariner sigh for a peaceful haven? Does the drooping flower open its petals to breathe the dew of heaven? [Laughter.] Do not get the idea that the sections as originally written in the draft did not pass, for whenever we endeavored to vote we were overwhelmed with a storm of ayes.

There was one exception. They made one great mistake. They let us vote on some of the provisions of the membership of the board of appeals. That was a mistake, and it cost us dearly too, because after they permitted us to vote on the sections, and it was disarranged according to the Treasury plan, from then on, much to our sorrow and regret, we were politely and courteously and firmly informed that our presence was no longer needed.

The Secretary recommended that there should be a great board of 28 members, with a salary of \$10,000 each. The members were to be appointed by the Secretary. They were absolutely under the control of the Secretary, and the board was to be under the control of the Treasury Department. The board was to pass on all appeals of the citizens of the United States against the Treasury Department in the way of tax assessments. Do you think it is fair, do you think it is just, do you think it is right to the American people that on appeals from assessments that the board which is to pass upon these returns in the final settlement should be in the same department that assessed and collected these taxes?

We so amended the bill that the members will be appointed by the President of the United States, and the board will be an independent board and an independent commission, like the Tariff Board and other independent commissions.

Mr. CHINDBLOM. Will the gentleman yield?

Mr. COLLIER. I will yield to the gentleman from Illinois.

Mr. CHINDBLOM. Is it not fair to say that Republican Members voted as well for that proposition, that it was practically unanimous?

Mr. COLLIER. I do not remember how unanimous it was, but in justice to the Republican Members I will say that of course some voted for it because we could not put it over unless they did.

The CHAIRMAN. The time of the gentleman from Mississippi has again expired.

Mr. COLLIER. Mr. Chairman, I will yield myself 10 minutes more. I want to say that I do not know whether it was unanimous, but we could not have done it without the support of some Republicans. But when we did vote we changed the bill and then they gave us no more opportunity. We never voted for any of the rates in the bill. When we met the previous question was ordered and then another motion was made to report the bill to the House; we were not there 10 minutes and that settled the proposition. We never took a vote on a single rate. But we did not care to do that. Why? Because these rates were fixed in the Treasury Department; they were fixed and prepared in the Treasury Department and were presented to the President for his approval and then the Mellon plan of over 340 pages, including the rates was handed to Mr. GREEN to put through the House coupled, I am told, with a threat that if there was any material change made in the bill there would be an Executive veto. There was no need to vote on the rates for we all knew that the rates fixed by the Treasury Department would be the rates in the bill.

Mr. SEARS of Florida. Mr. Chairman, will the gentleman yield?

Mr. COLLIER. Yes.

Mr. SEARS of Florida. I notice in this morning's paper that the Secretary of the Treasury is represented as being the second richest man in the world. Is that true?

Mr. COLLIER. I do not know. I know a lot of poor folks, but I do not know who is the richest man in the world. [Laughter.] I have heard that he is a wealthy man, and I reckon, as they say down in our country, that he is pretty well fixed.

Mr. SEARS of Florida. I want to be perfectly fair. I have heard that there is nothing new under the sun. Perhaps this is something new. I notice in the associated press dispatches in a paper published in my State and also given out over the radio the following:

President Coolidge said he wanted to remind the people that unless they make their wishes known to Congress, without regard to party, this bill (the Mellon bill) will not pass, and urged them to renewed efforts.

Evidently that was done with the purpose of securing the passage of this bill and to force us to vote on something that was introduced only on the 7th of February and reported out on the 11th of February. It is quite evident that the people could know nothing about the bill.

Mr. COLLIER. I thank the gentleman for his contribution. Mr. Chairman, if the taxes that the American people have to pay because of this bill were all of the taxes that they have to pay, there might be some justification for the Secretary's efforts, but let us recall that there is another Republican revenue bill on the statute books and it is estimated that from that measure from three to four billion dollars, considerably more than is expected to be received from this bill, are wrung from the pockets of the people every year.

The taxes collected from the bill under consideration will at least go into the Treasury of the United States, but the taxes from that other measure will for the most part go not into the Treasury of the United States but into the pockets of those whom Mr. Mellon is now asking us to relieve. [Applause on the Democratic side.]

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. COLLIER. Yes.

Mr. GREEN of Iowa. Is the gentleman from Mississippi proceeding upon the theory that he announced a little while ago, that I need not be afraid that he would observe the rules?

Mr. COLLIER. Absolutely.

Mr. GREEN of Iowa. Go ahead then, and I will let the gentleman not observe the rules.

Mr. COLLIER. Mr. Chairman, when the gentleman from New York [Mr. OLIVER] rose yesterday and asked the gentleman from New York [Mr. MILLS] if he did not think, under the general plan of tax revision, that the tariff might be considered, we heard the old stock phrase with which they have tried to fool the American people so long, that we were now working under a tariff law which had not only increased the wages of American labor but had made our country as prosperous as it is to-day. When the gentleman from Iowa [Mr. GREEN] and other members of the committee come in and tell us that the American

people are now staggering under the burdens of war taxes, we find no suggestion from the Secretary of the Treasury or from the gentleman from Iowa or any other member of the committee to reduce the taxes of a prohibitive tariff, a tariff which the great agricultural sections of the country know, if the Republican members of the Ways and Means Committee do not, has already restricted our foreign markets; a tariff which has caused to be enacted into law by foreign countries retaliatory tariffs on the exports of American commodities, a tariff which has raised for the benefit of a few industries only the price of nearly everything that is essential not only to the comfort but to the actual needs of the American people.

Now, these great industries, the beneficiaries of this tariff act, swollen with these tariff rates, backed by the most gigantic scheme of propaganda, come before us to-day not asking but demanding that we reduce the taxes they have to pay, and yet they are unwilling to surrender to the American people one dollar of the spoils they are wringing from them every year by the plundering hand of a tariff.

Mr. GREEN of Iowa. Will not my friend from Mississippi, before he repeats that speech on the stump, kindly look at the figures with reference to the statement that he is making? If he will, he will find that our exports and imports are almost double what they were before the war, double what they have ever been in normal times. We are having the greatest foreign trade that we have ever seen.

Mr. COLLIER. I thank the gentleman for using the word "figures," because I forgot something that I wanted to say with reference to the statement of Mr. MILLS yesterday. If gentlemen will look at the report of the minority and the various other views in the report of the committee, they will find on page 85 a comparative statement of the estimated effect upon the revenue of the proposed changes in the individual income tax law upon the base of the 1921 returns between the Democratic plan and the Mellon plan. On all incomes over \$1,000,000, 21 of them, according to the estimate of Mr. McCoy, under the Democratic plan there will be a loss of \$468,636 in the normal tax while according to the Mellon plan the loss would only be \$124,663. You will find also on this same estimate from the Treasury that on all incomes from \$8,000 up to \$5,000,000 the difference in the normal tax between the Democratic plan and the Mellon plan is only \$80 in each instance.

The normal tax under the Mellon plan on \$10,000 is \$360 and under the Democratic plan \$280. On an income of \$5,000,000 it would be \$299,760 under one plan and \$299,680 under the other, a difference of only \$80, which is found in all incomes over \$8,000. With a difference of only \$80 on incomes ranging from \$8,000 to \$5,000,000, we find that Mr. McCoy made an estimate on 21 incomes that the loss under the Democratic plan will be over \$300,000. It is absolutely ridiculous.

Mr. MILLS rose.

Mr. COLLIER. I will let the gentleman answer in his own time.

Mr. MILLS. I am sure the gentleman does not want to confuse thousands with millions.

Mr. COLLIER. The gentleman admits that that is a mistake?

Mr. MILLS. That is what is?

Mr. COLLIER. That those estimates are not correct?

Mr. MILLS. Oh, the estimates are absolutely correct.

Mr. COLLIER. Mr. Chairman, there is no hope for the gentleman from New York. I have always been told that mathematics is the only exact science, but the gentleman from New York denies that.

Mr. GREEN of Iowa. Mr. Chairman, I yield 45 minutes to the gentleman from Oregon [Mr. HAWLEY].

The CHAIRMAN. The gentleman from Oregon is recognized for 45 minutes.

Mr. HAWLEY. Mr. Chairman and gentlemen of the House, the controlling factor in any plan for tax reduction is the amount of money required for the support of the Government, economically administered. The extent to which taxes can be revised downward is the amount of excess revenue. The proposed reductions will affect the returns for 1924, made in 1925, and in subsequent years. In making up this bill and in reporting it the committee gave consideration to these principles. It is my intention at this time to speak of the reductions in the proposed bill, why they were made, whom they affect, and how they operate.

The bill is based upon the revenues that will be earned under its provisions when they are in full effect—that is, for the calendar year of 1925. By that year the beneficial effect upon business it is intended to have will have greatly increased the income of the taxpayers, and so increase the revenues received at the lower rates proposed in the bill. The net public income

for 1921 was \$19,000,000,000. The second year after the pending bill becomes effective the estimated net income of the country is estimated to be in excess of \$25,000,000,000. For the year that will elapse before the bill becomes fully effective there will be no deficiency in the revenue, as the surplus for the next year is estimated at nearly \$400,000,000.

The first reduction is found in section 1200 and provides that 25 per cent of the amount of normal taxes and surtaxes to be paid by any taxpayer in 1924, as shown by his return to be filed on March 15, 1924, for the year 1923, shall be refunded to him.

The amount estimated to be returned is \$232,750,000, and is allocated as follows:

|  |                 |
|--|-----------------|
| To the revenues of the fiscal year 1924..... | \$128, 010, 000 |
| To the revenues of the fiscal year 1925..... | 104, 740, 000   |

HOW EFFECTED.

Under section 1200 (a) and (b) it is provided that if a taxpayer remits with his return on March 15, 1924, the full amount of his taxes for the year 1923, 25 per cent of the taxes so paid will be refunded unless there are taxes still due from him for previous years, in which case the refund will be credited to these taxes so due, and the balance, if any, will be refunded. Or if the Treasury, upon an examination of his return for 1923, finds that additional taxes should be levied against him, the refund will be 25 per cent of the total of the tax reported in the original return plus the additional tax, and settlement will be made accordingly. (c) Provides that if the taxpayer elects to pay in installments, and the bill becomes law before the last installment is due, the 25 per cent rebate will be prorated to the four installments. For instance, if John Smith, not in arrears for taxes for previous years and upon whom no additional taxes are levied, has a taxable income of \$1,600, and he has paid three installments of \$400 each, he will be rebated \$100 for each of the three installments so paid, and will pay as the last installment \$300 instead of \$400. If he has paid two installments of \$400 each, he will be refunded \$100 for each of them and pay \$300 for the third and fourth installments. (d) Provides how refunds will be made in cases where taxpayers have been granted an extension of time, (e) for cases where the taxpayer has not paid in full the installments theretofore due, and (f) for cases where additional taxes are levied.

This is a Republican proposal and is based upon the sound principle that the Government should take from the taxpayers only that amount of money necessary for the support of the Government and the conduct of its business economically administered.

Since this is an entirely new proposal in the revenue acts, further comment may be justified. Suppose John Smith has an income sufficient to cause him to pay a tax, for convenience of computation, of \$1,600, and he elects to pay it in installments in order not to pay money into the Government and then have it later returned to him. He will pay four installments of \$400 each. I suppose we may safely say that the bill will not be enacted prior to the time for the second installment, due in June, so that the first time that this reduction will be available to the taxpayer will be in his September payment, with refunds on preceding installments. If the taxpayer is in arrears for taxes of preceding years, or if extra assessments for preceding years have been levied that have not yet been paid, the amount to his credit when another installment arrives will be used in liquidation of those arrears of taxes or excess of taxes, because the Government has always exacted what is due it before refunds are made.

Suppose Mr. Smith pays his first installment of \$400 and the second installment of \$400 and the bill goes into effect on July 1—that is, before another installment is due. Twenty-five per cent of his tax of \$1,600 is \$400, the refund of taxes for the year. The Treasury is instructed in the law reenacted as section 281 of this bill to immediately return the money.

The question was asked yesterday whether it was necessary for an appropriation to be made in order to return the money. The Treasury has an annual appropriation providing the funds necessary for the return of money illegally collected. Out of that fund now appropriated the Treasury will be enabled to return the money so paid; but if before the end of the fiscal year this fund is exhausted taxpayers will have to wait until the new appropriation goes into effect, or a new installment date has arrived on which the refund can then be applied. So the Treasury will refund in this case of Mr. Smith \$100 for the first and the second installments, and the third and the fourth installments will be reduced to \$300 each. If he has paid his whole \$1,600 with his return on March 16, then,

they would return to him immediately upon the enactment of the bill \$400.

Mr. BURTNESS. Mr. Chairman, will the gentleman yield? Mr. HAWLEY. Yes. In view of the many matters I wish to present, I ask gentlemen to confine their interruptions to questions. I take pleasure in yielding to the gentleman.

Mr. BURTNESS. In the event repayment has not been made when the third installment becomes due, will not the taxpayer then be able simply to remit \$200 to take care of the third installment?

Mr. HAWLEY. If the third installment is due before any refunds are made, I think such an arrangement can be made.

In the event that three installments have been paid he will have credit of \$300, and if the time for the payment of the fourth installment has arrived at the time the law goes into effect, then he would have no fourth installment to pay, having already paid \$1,200. But it must be understood that the taxpayer must not be in arrears to the Government in order to enable him to get the amount of allowance on the last installment. Whatever arrears may exist must first be settled before any refund is made to him.

Mr. TIMBERLAKE. Mr. Chairman, will the gentleman yield there?

Mr. HAWLEY. Yes.

Mr. TIMBERLAKE. One question has not been answered in full. The refund would not be due until but a short time after the passage of this act. Then it would be refunded, and without application by the taxpayer?

Mr. HAWLEY. Yes. He may remit with his first installment the whole tax of \$1,600. Then, whenever the bill goes into effect, that rebate of \$400 will be returned to him upon the motion of the Treasury immediately, providing there are funds available.

Mr. UNDERWOOD. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. UNDERWOOD. As I understand, the principal argument for the reduction of the surtax to 25 per cent is the fact that it is ultimately passed on to the consumer. I have been interested in the elementary question in arithmetic of the gentleman, and I would like to know whether or not it is intended to return this tax on to the payers of the surtax as a bonus?

Mr. HAWLEY. This refund is the suggestion of Judge GREEN of Iowa. I know this, because several weeks before it was proposed in the committee he told me he had intended to offer an amendment of this kind. It is based upon the theory that we have always followed in taxation, that we should take no more from the taxpayers than is necessary for the support of the Government economically administered, and that we should distribute that tax as fairly as possible among all the taxpayers. Now, we have taken in, owing to conditions not fully anticipated at the time the estimates were made, some \$320,000,000 more this year than was estimated, and that is actually necessary for the conduct of the Government. We are returning the surplus which we took from the people.

Mr. UNDERWOOD. Will the gentleman permit another question?

Mr. HAWLEY. Yes.

Mr. UNDERWOOD. Then, do I understand the gentleman to say that this passes back some \$232,000,000 to the taxpayers which has been collected from the consumers of the country? Did I understand that as the answer of the gentleman to my inquiry?

Mr. HAWLEY. We are returning to the taxpayers surplus moneys collected in taxes, because business so improved under the lower rates in the revenue act of 1921 that more revenue was received than estimated and because the Republicans have also materially reduced the public expenditures.

Mr. SEARS of Florida. Will the gentleman yield?

Mr. HAWLEY. For a question.

Mr. SEARS of Florida. Suppose that last year you had bought an automobile and paid \$65 in war tax—taking any car, the Reo, the Hudson, or Studebaker.

Mr. HAWLEY. The matter under discussion does not affect that at all.

Mr. SEARS of Florida. Well, take your grocery merchant.

Mr. HAWLEY. This does not affect any return except of income taxes; this refund is wholly confined to the normal taxes and the surtaxes.

Mr. SEARS of Florida. But an income can be derived from business, can it not?

Mr. HAWLEY. I think the gentleman has reference to the excise taxes.

Mr. HUDSPETH. Then, if my friend from Oregon will permit, under your bill, if it passes, you will raise only a sufficient fund for the administration of the Government and there will be no surplus? That is the way I understand my friend.

Mr. HAWLEY. We have this situation: That out of the revenues for the fiscal year 1924, \$128,010,000 of this refund will be paid, and out of the revenues of the fiscal year 1925, \$104,740,000 will be paid, or a total of \$232,750,000. But the estimated surplus for the year 1925 from the taxes of 1924 is \$395,000,000, so that there is a margin of safety of something like \$90,000,000. We provide for a margin of safety and do not return the full amount.

Mr. HUDSPETH. I agree with my friend, but just wanted to understand him clearly on that proposition.

Mr. GREEN of Iowa. My friend from Oregon has forgotten for the moment that there will be a further reduction of a certain amount of the excise taxes which will be repealed this year. There will perhaps be from \$50,000,000 to \$75,000,000 more by which the revenues will be reduced, but there will be an ample margin on which the Treasury can operate.

Mr. HAWLEY. Yes; we had that in mind. As the chairman says, we did not reduce it to the full amount of the estimated surplus, because we will lose revenue by the repeal or reduction in the excise taxes, but we have kept a safe margin so that the Government would not be left in the embarrassing position of having a deficit. I think we have provided an ample margin of safety.

Mr. HUDSPETH. Then, with the excise taxes, the estimated margin will be about \$90,000,000?

Mr. GREEN of Iowa. No; there would not be that much.

Mr. HUDSPETH. I would like to know what the amount will be.

Mr. GREEN of Iowa. Well, the gentleman from Oregon stated what the amount would be as to the income taxes, which is substantially correct—\$232,000,000; then there will be a loss of somewhere between \$50,000,000 and \$75,000,000 on account of the excise taxes which are taken off, most of them immediately on the passage of the bill, but some of them 30 days after the passage of the bill, so that you would have a loss on the excise taxes, I think of about \$60,000,000. I think we will probably take about \$290,000,000 altogether off of the taxes of 1924.

Mr. HUDSPETH. That would leave about \$60,000,000?

Mr. GREEN of Iowa. Yes. I would think about that for the calendar year, but all our estimates are on the fiscal year.

Mr. SEARS of Florida. Will the gentleman yield further?

Mr. HAWLEY. For a question.

Mr. SEARS of Florida. How much would the Western Union Telegraph Co. and the other telegraph companies get where people who sent telegrams had paid the tax? Would the money be paid to the Western Union Co. or to the people who paid the tax?

Mr. HAWLEY. This proposed refund does not affect excise taxes at all.

Mr. SEARS of Florida. Then, just one other point, and I am through. How much would I get back on the amount I pay?

Mr. HAWLEY. I do not know the items of the gentleman's income nor what deductions and credits may be deductible from his gross income.

Mr. SEARS of Florida. I pay all of my salary.

Mr. HAWLEY. The gentleman will receive during the year a refund of one-fourth of the amount he pays.

Mr. GREEN of Iowa. The gentleman would get one-fourth off at the end of the year.

Mr. LONGWORTH. How many persons or taxpayers will this affect?

Mr. HAWLEY. While returns are made by some 6,600,000 persons, only some 3,600,000 pay taxes, according to the statistics, for the year 1921, which is the last year upon which a full report has been published. All who pay normal taxes or surtaxes this year for incomes earned in 1923 will participate in the refund; that is, between 3,500,000 and 4,000,000 taxpayers.

Mr. LONGWORTH. I want to know how many income taxpayers there were in that year and how many would be directly affected.

Mr. HAWLEY. Some 6,000,000 or over make returns, and about 60 per cent of that number pay normal taxes or surtaxes.

Mr. CHINBLUM. Three and a half million; there are 7,000,000 who make returns, but only one-half pay taxes.

Mr. LONGWORTH. The reason I asked the question was that yesterday I heard some gentleman state that there were only about three and a half million persons directly affected.

Mr. GREEN of Iowa. I think it is generally spoken of as six and a half millions, but the number making income-tax returns is increasing every year, so that I should think it would be from six and a half millions to seven millions.

Mr. LONGWORTH. Who would be directly affected by this reduction?

Mr. HAWLEY. Everybody who pays the taxes for 1923 is entitled to and will get a refund.

Mr. GREEN of Iowa. If the gentleman will yield, I now have the exact figures. For 1923 there were 7,308,200 who made returns.

Mr. CHINBLUM. And about one-half of them paid taxes? Mr. HAWLEY. The rates in the bill are based upon the earnings estimated to be received after the second year of its operation and are expected to earn \$341,000,000 less than is earned under existing law.

The reductions proposed are distributed as follows:

|                              |                    |
|------------------------------|--------------------|
| To the normal tax.....       | \$91,600,000       |
| To the surtax.....           | 101,800,000        |
| To earned income.....        | 105,500,000        |
| To miscellaneous taxes.....  | 108,040,000        |
| <b>Total deductions.....</b> | <b>406,940,000</b> |

The bill limits the amount that may be deducted from gross income on account of capital losses to 12 1/2 per cent of the loss claimed, and this will increase the revenue... 25,000,000

Also certain deductions heretofore in case of tax-free income have been reduced, resulting in a saving to the revenue of... 34,500,000

**Total increases..... 59,500,000**

Subtracting the total on additional income earned by these stop-gaps from the total reductions given above, the net reduction effected by the bill as reported by the committee is \$347,440,000, and that is as far as we can safely go.

(See Table VIII.)

The estimate originally made allotted \$89,500,000 to unearned incomes. I have an estimate this morning from the Government actuary stating that the diminution on earned income will probably amount to \$105,000,000 and that \$50,000,000 of this will be on the incomes of persons paying on incomes of \$5,000 or less. The incomes of \$5,000 or less will get \$50,000,000 of benefit from this limit on the earned income.

When the committee took up the actual application of this reduction to the various taxes the question was, What amount should be distributed to the excise taxes and what amount should be reserved to the income taxes. After careful investigation, in order to effect any real reform in the income taxes, we found that \$108,000,000 could be assigned to reduction of the excise taxes and the remainder should be retained for use in reforming the income taxes.

I have here, and will put in the Record, an entire list of the businesses and commodities subject to the indirect or excise taxes and the amounts each earned for the fiscal year ending June 30, 1923, and opposite this list I have put every one that has been reduced in amount or has been eliminated, for the convenience of the Members, for purposes of reference:

TABLE I.—Amounts collected from sources of revenue listed below for the fiscal year ending June 30, 1923, and reductions made in these taxes by the pending bill.

| Sources of revenue.   | Amounts collected. | Amount of reductions. |
|---|--------------------|-----------------------|
| Documentary stamps sold by postmasters.....                             | \$11,843,403.64    | .....                 |
| Documentary stamps for bonds, capital stock issues and conveyances..... | 32,750,762.56      | .....                 |
| Documentary stamps for capital stock transfers.....                     | 9,871,604.11       | .....                 |
| Documentary stamps for sales of produce on exchanges.....               | 7,015,381.67       | \$3,507,690.84        |
| Stamps on playing cards.....  | 3,385,226.83       | .....                 |
| Telegraph and telephone messages.....                                   | 30,380,783.93      | 30,380,783.93         |
| Automobile trucks and wagons.....                                       | 16,678,751.05      | .....                 |
| Other automobiles and motor cycles.....                                 | 92,730,380.44      | .....                 |
| Tires and accessories for automobiles, etc.....                         | 40,875,148.79      | .....                 |
| Cameras and lenses.....   | 891,966.25         | .....                 |
| Photographic films and plates.....                                      | 718,431.49         | .....                 |
| Candy.....  | 11,315,465.83      | 11,315,465.83         |
| Firearms, shells, and cartridges.....                                   | 4,329,887.97       | .....                 |
| Hunting and bowie knives.....   | 30,455.17          | 30,455.17             |
| Dirk knives and daggers.....  | 1,051.51           | 1,051.51              |
| Cigar and cigarette holders, pipes.....                                 | 239,580.26         | .....                 |
| Slot-device machines.....   | 136,603.84         | .....                 |
| Livery and livery boots.....  | 138,233.72         | 138,233.72            |
| Hunting garments.....   | 168,274.28         | 168,274.28            |
| Yachts and motor boats.....   | 267,079.97         | 267,079.97            |
| Carpets and rugs.....   | 928,609.73         | 928,609.73            |
| Trunks.....   | 46,610.27          | 46,610.27             |
| Valises, bags, suit cases, etc.....                                     | 34,008.35          | 34,008.35             |
| Purses, pocket books, handbags, etc.....                                | 151,105.22         | 151,105.22            |
| Portable light fixtures.....  | 229,575.07         | 229,575.07            |
| Fans.....   | 11,081.48          | 11,081.48             |
| Sculpture, paintings, etc.....  | 837,831.84         | .....                 |
| Jewelry, watches, clocks, etc.....                                      | 20,297,875.91      | 13,000,000.00         |
| Cereal beverages.....   | 3,624,402.25       | 3,624,402.25          |
| Unfermented fruit juices.....   | 442,128.94         | 442,128.94            |
| Still drinks.....   | 199,381.04         | 199,381.04            |
| Mineral waters.....   | 204,037.26         | 204,037.26            |

<sup>1</sup>Estimated.



TABLE I.—Amounts collected from sources of revenue listed below for the fiscal year ending June 30, 1923, and reductions made in these taxes by the pending bill—Continued.

| Sources of revenue.                                   | Amounts collected. | Amount of reductions. |
|---|--------------------|-----------------------|
| Fountain sirups.....                                  | \$4,283,895.74     | \$4,283,895.74        |
| Carbonic acid gas.....                                | 1,378,051.71       | 1,378,051.71          |
| Capital stock tax.....                                | 81,567,739.32      | .....                 |
| Brokers:  |                    |                       |
| Stock or produce.....                                 | 1,343,816.97       | .....                 |
| Pawn.....   | 223,879.09         | .....                 |
| Customhouse.....                                      | 37,971.15          | .....                 |
| Ship.....   | 37,211.32          | .....                 |
| Seating capacity of theaters, etc.....                | 1,712,656.83       | 1,712,656.83          |
| Circuses.....   | 13,966.95          | 13,966.95             |
| Aggregation of entertainments.....                    | 22,156.00          | 22,156.00             |
| Other public amusements.....                          | 116,509.25         | 116,509.25            |
| Bowling alleys, billiard and pool tables.....         | 2,371,092.43       | 1,185,546.22          |
| Shooting galleries.....                               | 19,400.90          | .....                 |
| Riding galleries.....                                 | 13,207.69          | .....                 |
| Passenger automobiles for hire.....                   | 1,907,399.55       | .....                 |
| Use of yachts, motor and sail boats.....              | 216,315.36         | .....                 |
| Admission to theaters, concerts, etc.....             | 69,340,585.82      | 133,000,000.00        |
| Tickets sold at places other than theaters, etc.....  | 115,325.37         | .....                 |
| Tickets sold by theaters, etc., at excess prices..... | 34,667.13          | .....                 |
| Leased boxes or seats.....                            | 24,703.09          | .....                 |
| Roof gardens, cabarets, etc.....                      | 659,865.70         | .....                 |
| Dues.....   | 7,170,730.61       | .....                 |
| Miscellaneous.....                                    | 3,015,786.86       | .....                 |
| Total.....  | 461,256,330.75     | 106,392,757.56        |

<sup>1</sup> Estimated.

Since the amount by which taxes can be reduced is limited to the estimated excess of revenue over the estimated expenses of the Government, it is manifestly impossible to do more than to use the amount available for the purpose of making reductions where the need is greatest and the largest number of persons will participate in the benefit. To accomplish this, about two-thirds of the amount by which the taxes can be reduced was allotted to the reduction of the income taxes and one-third to the reduction of special revenue, excise, and stamp taxes. The amounts paid into the Treasury for excise taxes listed in the table for the fiscal year ending June 30, 1923, was a little over \$461,000,000. Before undertaking a revision of the special revenue, excise, and stamp taxes the committee held hearings at which all who appeared were heard. Upon the information presented at the hearings and that obtained from other sources the committee based its action. A reduction in taxes is a public benefit which should be distributed as widely and fairly as possible. Those in greatest need of relief should receive most consideration. Some of these taxes imposed a burden upon the taxpayers out of all proportion to the revenue received and at the same time afforded favorable conditions for unfair competition. Some of the taxes could not be collected from a very large number of those who should have paid it without an expense out of all proportion to the amount collected. The taxes on candy and beverages are instances of this kind. Candy and drinks are sold everywhere, are made and sold by thousands. It is not good public policy to collect from some and let others escape. The Treasury made all reasonable efforts to collect, but any collection approaching any degree of completeness is impossible, and a complete collection would have made the tax unprofitable. Some manufacturers and dealers who paid considerable amounts of taxes are operating at a loss, and the tax further emphasized their disadvantage. Many pay taxes of several kinds for which special accounts must be kept at considerable expense.

After the committee had decided which industries were most in need of relief there were several others which we would have included had the amount of surplus revenue been greater. These should be the subjects of favorable action at the earliest practicable date.

An earnest attempt was made to use the amount available for reductions to effect an equalization of taxation in so far as that could be done with the comparatively small sum at our disposal.

In Title VI sections 600 and 601 are not included in the pending bill, but remain existing law. Section 600 levies a tax at the rate of \$2.20 per proof gallon on alcohol used for nonbeverage purposes. Prior to the war it was \$1.10. The repeal of the \$1.10 imposed during the war was considered, but upon examination the preponderance of evidence indicated that the ultimate consumer would benefit little, if any, from the repeal, and the industries using the alcohol, being prosperous, could afford to continue paying until further reduction in revenue becomes possible.

Sections 602 and 603 are to be repealed. The number who will be benefited, both of dealers and consumers, is very large.

The evidence showed that the tax on cereal beverages of \$3,624,402.25 is paid out of funds other than the profits of the business, as the makers are operating at a loss.

The tax on unfermented fruit juices of \$442,128.94 is a burdensome tax. For instance, a glass of lemonade made with carbonated water is tax free, but one made with plain water pays a tax. The dealer is required to keep count of the number of glasses made with plain water, calculate the number of gallons, in order to pay the tax of 2 cents per gallon. Also it was practically impossible to collect from all dealers, as the cost would have exceeded the collections. The committee do not suggest that a tax be repealed because it is evaded, but where it is unprofitable dealers who pay the tax should not be subjected to unfair competition.

With the repeal of the tax on competing beverages, the tax of \$199,386.04 on still drinks and of \$204,037.26 on mineral waters are to be eliminated.

Except in the cases of concerns having a large output, which are a small part of the whole number, the amounts paid by each dealer with his monthly return were usually quite small, yet he is required to make such return in duplicate and under oath.

The tax of \$4,283,895.71 on fountain sirups and the tax of \$1,378,051.71 on carbonic-acid gas are to be repealed for reasons given above.

Several questions were asked yesterday and to-day about the selection made by the committee. The first inquiry which was made—and we held a week's hearings upon this subject especially—was the industry affected by any particular tax suffering. For instance, there were several industries that presented in their statements evidence to show that they were not making money, but were paying their tax out of funds previously accumulated. For instance, in the case of the cereal beverages one large company has lost \$800,000 net in the last two or three years, but it has paid during that time a very large amount of tax, which further emphasized its losses. The committee did not think it proper to tax a business that was operating at a loss. This was true also in the case of the manufacture of candy and the manufacture of several other products affected by the excise taxes. Some question has been raised as to why we took the tax from dirks of \$1,051, and on hunting and bowie knives of \$30,000, and on yachts and motor boats, \$267,000, in all about \$300,000, and did not reduce the automobile taxes of \$146,000,000. The elimination of the taxes just mentioned had no relation to a reduction in the taxes on the automobile industry. It can be seen readily that \$300,000 will be of no practical use in reducing taxes amounting to \$146,000,000.

The taxes we have taken off in most instances are unprofitable taxes. The beverage taxes and the candy taxes, just mentioned, are unprofitable because if they were collected with any degree of completion they would cost more than they would bring into the Treasury, and they can be collected only in part. For instance, in the case of candy many manufacturers make a part of their stock and buy the remainder from another, who pays the tax. They mingle the stocks, and pay no tax on what they manufacture. They escape the tax, but their competitor pays the tax. We removed taxes where the levy of the tax was in such form that it could not be fairly well collected in order to prevent unfair conditions of competition arising by reason of the tax. The tax upon candy is a tax on an article of food so widely used as to be a necessity and not a luxury.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. That was a very common form of evasion, was it not, for a small dealer in candy to make part of his stock and not pay any tax on it?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. And it resulted in those who did pay the tax being treated very unfairly. Then there were also certain classes of confections that came directly in competition with candy that paid no tax.

Mr. HAWLEY. Yes; bakery products, for instance. In many instances they are exactly like the candy products but paid no tax, and in many instances there were substitutes for candy products and paid no tax, so that the bakery was tax free while the candy manufacturer next door was paying very considerable sums in taxes.

The repeal of the taxes upon hunting garments and liveries (paragraphs 12 and 13 of section 900 of the revenue act of 1921) is recommended for the reasons set out above as to the repeal of the tax on candy, and for the further reason that the taxes on other sporting goods have already been repealed by the revenue act of 1921. This tax was intended to apply to sporting clothes, but has been found instead to apply to working clothes.

We relieved the telegraph and telephone messages of the entire tax, amounting to about \$33,000,000. It is the last of the transportation taxes levied as a result of the war. This tax is not only a burden upon business, but is a tax upon a public utility so widely used as to be a necessity.

We removed the taxes to the extent of \$33,000,000 from the theaters and movie houses. About \$1,712,000 is from the tax on the seating capacity of the theaters and movie houses and the remainder is accounted for by the limit we placed, which provided that admissions of 50 cents or less should be tax free. The evidence showed that many of the small houses in small communities, the neighborhood houses, the chief means of entertainment in small communities, were closing their doors or were giving only part-time service. Many of them showed an actual loss in revenue, because they paid out more than they had received when the tax was included, and in order to afford relief to this form of amusement, which is universal among the people, we made the limit I have just mentioned.

We eliminate the candy tax entirely, for the reasons I have given.

Section 904 imposes a tax upon the sale by the manufacturer of carpets and rugs, trunks, valises, purses, portable lighting fixtures, fans, and similar articles. This tax was in substitution for the tax levied by the revenue act of 1918 upon sales by the retailer of a much more extensive list of articles. In accordance with the general policy of tax reduction, it is desirable to repeal these taxes entirely, since the articles in question are in a large measure necessities and not luxuries, and since the cost of collection of the taxes is out of proportion to the revenue yielded.

We reduced the jewelry tax from \$20,000,000 to \$13,000,000. We had intended to place a manufacturer's tax in place of the retail tax. That is, a manufacturer's tax on precious stones, semiprecious stones, pearls, and precious metals, but upon examination we found that this would result in a retailer's tax in the last analysis, because in order to enforce the law any jeweler in a small town who inserted a setting in a ring blank, or made any other kind of change in jewelry, would need to be regarded as a manufacturer. So we changed the form of the tax to a retail tax on luxuries.

All articles of jewelry as defined in existing law, selling at \$40 or less, are free from tax. Watches up to \$60 are free of tax. Upon sales of articles of jewelry above \$40 and on watches costing more than \$60 we apply a 5 per cent tax which is estimated to return to the Treasury about \$7,000,000.

Mr. WILLIAMSON. Will the gentleman yield?

Mr. HAWLEY. Certainly.

Mr. WILLIAMSON. Does that amount of \$40 and \$60 apply to one individual?

Mr. HAWLEY. For instance, if he buys a brooch costing \$40 and a watch costing \$60 he pays no tax. It does not mean the aggregate bill must be more than \$40 but any item costing \$40. His total purchases may amount to a large sum at any one time, but he will be taxed only on articles whose individual price is above the limits stated before.

Mr. SINNOTT. If he buys jewelry worth \$80 do you figure on the entire purchase?

Mr. HAWLEY. If the jewelry is one single article he will pay a tax of 5 per cent on the \$80. If it consists of several articles, none costing over \$40 (except a watch), he will pay no tax.

Mr. DENISON. That does not mean that if a man purchases \$80 worth of jewelry he must pay the tax; it is a single item costing \$40?

Mr. HAWLEY. Certainly. It must be a single item; that is what I understood the gentleman from Oregon to inquire. We gave careful consideration to eliminating the tax on automobiles, trucks, and automobile parts, and various subdivisions of the automobile industry. We found from the testimony of witnesses who appeared in behalf of the repeal of the tax that their business was prospering, that it was expanding every year, and was more prosperous last year than previously. Taking into consideration these two things, that the business was prosperous and increasing, we did not take off the tax. We would have reduced some of them had the amount available for reductions enabled us to do so.

Mr. YOUNG. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. YOUNG. And taking into account the great sums of money that the Federal Government is spending for roads—

Mr. HAWLEY. Yes. Since the business was prosperous and increasing there could be no complaint made that the tax was embarrassing the business. Consequently, when it came to selecting between business embarrassed and in many cases destroyed by reason of the tax, in comparison with those that

were progressing, able to bear the tax and increasing their business, we gave the preference to the businesses that were most in need of relief. Then, as the gentleman from North Dakota suggests, the Government is expending very large sums and so are the States and local authorities in the construction of hard-surfaced roads. These roads are almost entirely for the use of automobiles. You seldom see a farmer driving a wagon loaded with grain or potatoes or any other farm product on these paved highways. He seldom drives a horse and buggy upon them.

Mr. COOPER of Wisconsin. Will the gentleman yield?

Mr. HAWLEY. I will.

Mr. COOPER of Wisconsin. The gentleman means by that that the automobiles and trucks wear off the hard-surface roads?

Mr. HAWLEY. Yes; and otherwise wears them out.

Mr. COOPER of Wisconsin. Is it not true that the respective States levy a tax for the express purpose of resurfacing those roads, and that the Government of the United States contributes for constructing the original road but does not contribute to the repairs?

Mr. HAWLEY. I think only for the original construction.

Mr. COOPER of Wisconsin. Now, if the roads after they are constructed are kept in repair by the States ought not the United States to take that into account and make the possession and use of automobiles just as general as possible because of the inestimable benefit which they have been to all of the people?

Mr. HAWLEY. Let me say in regard to the last suggestion that the committee could not see in the tax any hindrance to the possession of automobiles by any citizen for the reason that the business is not only prosperous but continually expanding.

Mr. COOPER of Wisconsin. The man who is in moderate circumstances and has a cheap car for himself and family to go out on Sundays or when he has the opportunity is paying the tax on the repairs and also on his automobile, whereas he ought to be able, in my judgment, to have every facility for the use of his car at the least possible expense.

Mr. HAWLEY. The committee gave very careful consideration to all of the suggestions that have been made. When we were limited to \$108,000,000 in the reduction of these excise taxes, had we applied any considerable sum to the reduction of taxes on automobiles and parts—and for one I would like to see them removed and will vote for their being repealed at the earliest possible opportunity—we could not have relieved those in distress, or could not have effected what seemed to be a proper reduction in the income taxes. In making the choice between the automobile industry and businesses that were actually suffering it seemed to the committee that it ought to do justice to those enterprises that are actually undergoing hardships because of the taxes required of them.

Mr. COOPER of Wisconsin. The gentleman is making particular reference to the manufacture of automobiles and trucks?

Mr. HAWLEY. Yes; \$145,000,000 covers the entire industry.

Mr. COOPER of Wisconsin. I am talking about the tax—

Mr. HAWLEY. Does the gentleman refer to tires and accessories?

Mr. CHINDBLOM. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. CHINDBLOM. I think the gentleman has made it clear, but I feel that it ought to be emphasized that to remove the tax on trucks and automobiles and accessories would entail a loss of revenue of \$145,000,000 and that that is absolutely out of the question.

Mr. HAWLEY. Yes; \$145,000,000 is \$37,000,000 more than we could use in reducing all excise taxes. Mr. Chairman, how much time have I left?

The CHAIRMAN. The gentleman has 15 minutes.

Mr. WEFALD. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. WEFALD. I understood the gentleman to say that the committee was limited to a reduction of \$108,000,000?

Mr. HAWLEY. We thought that was all that we could assign to the excise taxes.

Mr. WEFALD. Who limited it?

Mr. HAWLEY. We did.

Mr. COLLIER. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. COLLIER. The gentleman from Illinois said \$145,000,000. I want to ask the gentleman if the tax on trucks and wagons will yield less than \$11,000,000?

Mr. HAWLEY. It will yield \$10,678,000.

Mr. COLLIER. That was the tax that I wished to have repealed.

Mr. HAWLEY. But I think the gentleman will agree with me that most of the witnesses who appeared referred to the tax on misfortune, by which they meant the tax on tires and accessories. That amounts to over \$40,000,000.

Mr. COLLIER. I think that is true. I would like to see that repealed.

Mr. MANLOVE. This morning one gentleman referred to the reduction in the tax on yachts. Has the gentleman in mind now the reason why that tax was taken off?

Mr. HAWLEY. The situation regarding yachts and motor boats is this. They can be made abroad by foreign builders, bought by American owners and brought in without paying any tax; whereas if the American purchaser goes to an American yard to have his yacht or motor boat built the tax must be paid.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. The gentleman is correct, and in addition the House will observe the effect of the tax, the way it is placed now. The result is that a wealthy man who wants to buy a high-priced yacht, a very expensive affair that is entirely a luxury, goes abroad and buys it and does not have to pay a cent of tax, but the poor man who wants to buy a small boat, something to be compared to, say, an automobile, has to pay the tax, for the tax is passed on to him. The result is the ruin of the manufacturer, and that the wrong people are taxed entirely.

Mr. BACHARACH. And it brings in only \$200,000.

Mr. HAWLEY. Yes. And in addition to the tax on the manufacturers of yachts and motor boats, there is a tax still levied on the use of them by the owner.

Mr. GARNER of Texas. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GARNER of Texas. My impression was that the Republican protective tariff took care of that situation—that the foreigners could not very well compete with the manufacturer in this country. Is there anything in that?

Mr. MANLOVE. That is only so long as the yacht is for the use of the purchaser, after the purchaser bought it in Germany or some other place and brought it here for his own use.

Mr. TREADWAY. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. I wish first to answer the gentleman from Texas.

Mr. TREADWAY. I want to make a suggestion in respect to the gentleman's answer.

Mr. HAWLEY. Very well; I yield to the gentleman.

Mr. TREADWAY. Is it not a fact that not only yachts but the contents can be brought in here without paying any duty whatsoever?

Mr. GARNER of Texas. How came the Republican Party to overlook the protection of that industry?

Mr. CHINDBLOM. It is not the question of making a yacht to be sold in the United States, but it is a yacht that is bought abroad and actually used by the owner and brought in here as his property. It is not an importation of a yacht by an American dealer for sale in the United States.

Mr. GARNER of Texas. Do I understand the gentleman to say that the Republican tariff theory of protection does not levy any tariff on luxuries? Is that what the gentleman means to say?

Mr. HAWLEY. The tariff is levied to protect American industry, American labor, and American standards of living.

Mr. GARNER of Texas. The gentleman said that the reason he did not levy a tax on yachts is because they are luxuries.

Mr. BACHARACH. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. For a question.

Mr. BACHARACH. As a matter of fact, the gentleman from Texas knows that by an inadvertence the taxing of yachts was left out of the bill.

Mr. GARNER of Texas. Oh, it was an inadvertence? I did not know that the Republican Party ever made such mistakes.

Mr. BACHARACH. We do when we have the gentleman from Texas and others to look after.

Mr. TREADWAY. And is it not a fact that we had such a tremendous job correcting the mistakes that the Democratic Party left in their original bill that naturally we could not get them all stricken out?

Mr. HAWLEY. And we placed the tariff at rates that were fair in order to equalize the cost of production at home and abroad, and especially levied that on the products competing with the American factory or farm, because our labor and capital are employed in producing those things.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. GREEN of Iowa. I want to add a little further on the matter of yachts. The failure to put any duty on yachts was not intentional in drawing the bill. We did put a duty upon them, but it seems that the Supreme Court made a decision in what is known as the case of the *Conquerer* to the effect that they would not be subject to the duty when they were purchased abroad and brought into this country by the owner. I also call the attention of the House, as the gentleman from Oregon did briefly, to the fact that there is another tax on yachts levied on their use, according to their size—a tax that does not differ much in form and is equivalent to the tax on automobiles, so that they will still pay as much tax in proportion to what they cost as an automobile.

Mr. HAWLEY. There are two other taxes I wish to mention briefly. In the sale of produce on exchanges we reduced the tax from 2 cents to 1 cent, effecting a reduction in the handling of agricultural products of \$3,570,000. We removed one-half the tax from pool and billiard tables, reducing the amount from \$10 to \$5, because the evidence shows that these enterprises were not prospering.

Mr. CONNALLY of Texas. Does the bill make provision for exempting from taxation fraternal organizations and others having these amusements?

Mr. HAWLEY. Yes; so I understand. My time has been taken up so much by questions, to which I have been glad to yield, that I have not been able to cover all of the matters that I had in mind. There are two points I want yet to cover.

Mr. MURPHY. Before the gentleman concludes I want to ask him one question.

Mr. HAWLEY. Let the gentleman put it.

Mr. MURPHY. I would like to ask the gentleman, who is a member of the Committee on Ways and Means, and has given to this matter a close study, what his opinion is of this Mellon bill, the Republican measure coming from the Committee on Ways and Means; whether it will produce revenue enough to take care of the reductions contemplated and take care of the soldiers' adjusted compensation?

Mr. HAWLEY. I am for the bill as reported by the committee, and I am for the soldiers' adjusted compensation, and I think we can take care of them both.

Mr. MURPHY. Thank you.

Mr. HAWLEY. The bill provides a special reduction of 25 per cent on taxes on earned incomes. For instance, John Smith has a taxable income of an amount sufficient to require him to pay a tax of \$2,400 if all his income were unearned. However, it happens that two-thirds of this tax, or \$1,600, is attributable to the salary he receives as the manager of a business. His tax will therefore be reduced by 25 per cent of \$1,600, or \$400.

This reduction is limited to an amount of income not in excess of \$20,000. The first \$5,000 is considered as earned income, and the taxpayer is required to show that the remaining \$15,000 is earned income and he will be allowed the whole or part as his showing justifies.

The reduction in tax on account of earned income is new.

The net result of these changes may best be shown by the following table for incomes not in excess of \$20,000:

TABLE II.—Income tax payable upon certain net incomes under the provisions of the bill.

| Net income. | Income earned not in excess of \$5,000. |           |                 |           | Income all earned. |           |                 |           |
|-------------|---|-----------|-----------------|-----------|--------------------|-----------|-----------------|-----------|
|             | Single man.                             |           | Head of family. |           | Single man.        |           | Head of family. |           |
|             | Present law.                            | Proposed. | Present law.    | Proposed. | Present law.       | Proposed. | Present law.    | Proposed. |
| \$1,000     |   |           |                 |           |                    |           |                 |           |
| \$2,000     | \$40.00                                 | \$22.50   |                 |           | \$40.00            | \$22.50   |                 |           |
| \$3,000     | 80.00                                   | 45.00     | \$20.00         | \$11.25   | 80.00              | 45.00     | \$20.00         | \$11.25   |
| \$4,000     | 120.00                                  | 67.50     | 60.00           | 33.75     | 120.00             | 67.50     | 60.00           | 33.75     |
| \$5,000     | 160.00                                  | 90.00     | 100.00          | 56.25     | 160.00             | 90.00     | 100.00          | 56.25     |

TABLE II.—Income tax payable upon certain net incomes under the provisions of the bill—Continued.

| Net income.   | Income earned not in excess of \$5,000. |           |                 |           | Income all earned. |           |                 |           |
|---------------|---|-----------|-----------------|-----------|--------------------|-----------|-----------------|-----------|
|               | Single man.                             |           | Head of family. |           | Single man.        |           | Head of family. |           |
|               | Present law.                            | Proposed. | Present law.    | Proposed. | Present law.       | Proposed. | Present law.    | Proposed. |
| \$6,000.....  | \$240.00                                | \$150.00  | \$160.00        | \$97.50   | \$240.00           | \$135.00  | \$160.00        | \$90.00   |
| \$7,000.....  | 330.00                                  | 210.00    | 250.00          | 157.50    | 330.00             | 180.00    | 250.00          | 135.00    |
| \$8,000.....  | 420.00                                  | 270.00    | 340.00          | 217.50    | 420.00             | 225.00    | 340.00          | 180.00    |
| \$9,000.....  | 510.00                                  | 330.00    | 430.00          | 277.50    | 510.00             | 270.00    | 430.00          | 225.00    |
| \$10,000..... | 600.00                                  | 390.00    | 520.00          | 337.50    | 600.00             | 315.00    | 520.00          | 270.00    |
| \$11,000..... | 700.00                                  | 460.00    | 620.00          | 407.50    | 700.00             | 367.50    | 620.00          | 322.50    |
| \$12,000..... | 800.00                                  | 530.00    | 720.00          | 477.50    | 800.00             | 420.00    | 720.00          | 375.00    |
| \$13,000..... | 910.00                                  | 610.00    | 830.00          | 557.50    | 910.00             | 480.00    | 830.00          | 435.00    |
| \$14,000..... | 1,020.00                                | 690.00    | 940.00          | 637.50    | 1,020.00           | 540.00    | 940.00          | 495.00    |
| \$15,000..... | 1,140.00                                | 780.00    | 1,060.00        | 727.50    | 1,140.00           | 607.50    | 1,060.00        | 562.50    |
| \$16,000..... | 1,260.00                                | 870.00    | 1,180.00        | 817.50    | 1,260.00           | 675.00    | 1,180.00        | 630.00    |
| \$17,000..... | 1,390.00                                | 970.00    | 1,310.00        | 917.50    | 1,390.00           | 750.00    | 1,310.00        | 705.00    |
| \$18,000..... | 1,520.00                                | 1,070.00  | 1,440.00        | 1,017.50  | 1,520.00           | 825.00    | 1,440.00        | 780.00    |
| \$19,000..... | 1,660.00                                | 1,180.00  | 1,580.00        | 1,127.50  | 1,660.00           | 907.50    | 1,580.00        | 862.50    |
| \$20,000..... | 1,800.00                                | 1,290.00  | 1,720.00        | 1,237.50  | 1,800.00           | 990.00    | 1,720.00        | 945.00    |

The loss on earned incomes of \$5,000 or less amounts to over \$50,000,000, or about half goes to the relief of the small taxpayer.

The foregoing estimates for earned incomes were made before the committee decided that the first \$5,000 of income should be considered as earned in any event and the next \$15,000 as earned if so proved. I have to-day received a revised estimate of the loss that will result from the earned-income provisions.

TABLE III.—Loss in earned income.

| Income-tax brackets:          | Loss.        |
|-------------------------------|--------------|
| Under \$5,000.....            | \$50,000,000 |
| \$5,000 to \$10,000.....      | 25,500,000   |
| \$10,000 to \$20,000.....     | 14,000,000   |
| \$20,000 to \$50,000.....     | 13,000,000   |
| \$50,000 to \$100,000.....    | 2,775,000    |
| \$100,000 to \$150,000.....   | 56,000       |
| \$150,000 to \$200,000.....   | 39,000       |
| \$200,000 to \$300,000.....   | 26,000       |
| \$300,000 to \$500,000.....   | 30,000       |
| \$500,000 to \$1,000,000..... | 34,000       |
| Over \$1,000,000.....         | 40,000       |
| Total.....                    | 105,500,000  |

(See Table VIII.)

As previously stated, the loss on earned incomes has been recalculated upon the basis established by the committee and is estimated at \$105,500,000 in Table VIII. Fifty million dollars of this loss is allocated to incomes of \$5,000 or less.

In further explanation of this matter of earned incomes, a man, we will assume, has an income sufficient to justify the levy of a tax of \$16,000 upon him, part from earned income and part from unearned. You compute the tax in the case where a part of the income is earned as if all the income were unearned. There is no difference until the tax is computed. It is the only instance where we subtract a sum from the tax as ascertained. The gross income is taken, then the deductions made, and then the exemptions to ascertain the net income. Then on the net income the tax is computed, which in this case we will say is \$16,000. Now, it so happens that part of his income was earned and part unearned, and the part of the tax attributable to the earned income is \$2,000.

TABLE IV.—Comparison of taxes on earned incomes of \$6,000 and less under existing law and under pending bill.

The following official tabulations issued by the Treasury Department show the effect on personal incomes of the tax-reduction bill as compared with the present income tax law:

[Income tax on earned incomes from \$1,200 to \$6,000.]

| Amount.      | Single person. |               | Married person without dependent children. |               | Married person with two dependent children. |               |
|--------------|----------------|---------------|--|---------------|---|---------------|
|              | Present law.   | Proposed law. | Present law.                               | Proposed law. | Present law.                                | Proposed law. |
| \$1,200..... | \$8.00         | \$4.50        |  |               |   |               |
| \$1,400..... | 16.00          | 9.00          |  |               |   |               |
| \$1,600..... | 24.00          | 13.50         |  |               |   |               |
| \$1,800..... | 32.00          | 18.00         |  |               |   |               |
| \$2,000..... | 40.00          | 22.50         |  |               |   |               |
| \$2,200..... | 48.00          | 27.00         |  |               |   |               |
| \$2,400..... | 56.00          | 31.50         |  |               |   |               |
| \$2,600..... | 64.00          | 36.00         | \$4.00                                     | \$2.25        |   |               |
| \$2,800..... | 72.00          | 40.50         | 12.00                                      | 6.75          |   |               |
| \$3,000..... | 80.00          | 45.00         | 20.00                                      | 11.25         |   |               |
| \$3,200..... | 88.00          | 49.50         | 28.00                                      | 15.75         |   |               |
| \$3,400..... | 96.00          | 54.00         | 36.00                                      | 20.25         | \$4.00                                      | \$2.25        |
| \$3,600..... | 104.00         | 58.50         | 44.00                                      | 24.75         | 12.00                                       | 6.75          |
| \$3,800..... | 112.00         | 63.00         | 52.00                                      | 29.25         | 20.00                                       | 11.25         |
| \$4,000..... | 120.00         | 67.50         | 60.00                                      | 33.75         | 28.00                                       | 15.75         |
| \$4,200..... | 128.00         | 72.00         | 68.00                                      | 38.25         | 36.00                                       | 20.25         |
| \$4,400..... | 136.00         | 76.50         | 76.00                                      | 42.75         | 44.00                                       | 24.75         |
| \$4,600..... | 144.00         | 81.00         | 84.00                                      | 47.25         | 52.00                                       | 29.25         |
| \$4,800..... | 152.00         | 85.50         | 92.00                                      | 51.75         | 60.00                                       | 33.75         |
| \$5,000..... | 160.00         | 90.00         | 100.00                                     | 56.25         | 68.00                                       | 38.25         |
| \$5,200..... | 176.00         | 99.00         | 128.00                                     | 72.00         | 96.00                                       | 54.00         |
| \$5,400..... | 192.00         | 108.00        | 136.00                                     | 76.50         | 104.00                                      | 58.50         |
| \$5,600..... | 208.00         | 117.00        | 144.00                                     | 81.00         | 112.00                                      | 63.00         |
| \$5,800..... | 224.00         | 126.00        | 152.00                                     | 85.50         | 120.00                                      | 67.50         |
| \$6,000..... | 240.00         | 135.00        | 160.00                                     | 90.00         | 128.00                                      | 72.00         |

The above table was prepared upon the basis of reducing the taxes upon earned incomes to the full amount of such income. The committee have limited the reduction of 25 per cent of the tax on such incomes to amounts not exceeding \$20,000.

TABLE V.—Estimated effect upon the revenue of the proposed changes in the individual income tax law upon the base of returns for the second year after the law is in full effect.

| Income-tax brackets.       | Number paying tax in each bracket. | Loss in tax as compared with estimated tax for 1923. |                |                                 |                                  |   | Net reduction in tax collected. |
|----------------------------|------------------------------------|--|----------------|---------------------------------|----------------------------------|---|---------------------------------|
|                            |                                    | Normal tax (loss).                                   | Surtax (loss). | Earned-income provision (loss). | Capital-losses provision (gain). | Certain deductions limited to nontaxable income (gain). |                                 |
| Under \$5,000.....         | 3,944,200                          | \$50,000,000   |                | \$25,750,000                    | \$800,000                        | \$1,600,000   | \$73,350,000                    |
| \$5,000-\$10,000.....      | 708,200                            | 30,600,000   | \$17,500,000   | 25,500,000                      | 700,000                          | 1,400,000   | 71,500,000                      |
| \$10,000-\$20,000.....     | 228,200                            | 2,000,000  | 4,400,000      | 14,000,000                      | 500,000                          | 1,500,000   | 18,260,000                      |
| \$20,000-\$50,000.....     | 80,200                             | 1,300,000  | 10,100,000     | 25,000,000                      | 1,000,000                        | 2,500,000   | 30,380,000                      |
| \$50,000-\$100,000.....    | 16,500                             | 4,500,000  | 21,100,000     | 6,875,000                       | 2,000,000                        | 3,000,000   | 23,845,000                      |
| \$100,000-\$150,000.....   | 3,620                              | 1,300,000  | 11,100,000     | 106,000                         | 4,000,000                        | 6,000,000   | 996,000                         |
| \$150,000-\$200,000.....   | 1,430                              | 550,000  | 6,600,000      | 69,000                          | 3,000,000                        | 3,500,000   | 719,000                         |
| \$200,000-\$300,000.....   | 840                                | 450,000  | 7,400,000      | 66,000                          | 5,000,000                        | 3,500,000   | 1,408,000                       |
| \$300,000-\$500,000.....   | 380                                | 400,000  | 8,100,000      | 50,000                          | 3,500,000                        | 3,500,000   | 1,550,000                       |
| \$500,000-\$1,000,000..... | 150                                | 300,000  | 7,200,000      | 44,000                          | 3,000,000                        | 4,000,000   | 544,000                         |
| Over \$1,000,000.....      | 30                                 | 200,000  | 8,300,000      | 50,000                          | 3,500,000                        | 4,500,000   | 550,000                         |
| Gain.....                  |                                    |  |                |                                 | 25,000,000                       | 35,000,000  |                                 |
| Loss.....                  |                                    | 91,600,000   | 101,800,000    | 97,500,000                      |                                  |   | 230,900,000                     |

(See Table VIII.)

Mr. BURTNESS. Mr. Chairman, will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. BURTNESS. In determining that tax on the earned income, just what basis do you take? Do you take the earned income, reported as earned income, without making any deductions, or do you take off the deductions in order to get a sort of net income?

Mr. HAWLEY. The total amount of earned income is taken. Five thousand dollars is considered to be earned income in any event.

Mr. BURTNESS. I understand that; but I do not know if I made my question clear. The report shows \$10,000 given him by way of salary—that is, the total of earned income—but before you get at the figure on which the tax is based, do you not have to deduct from that total earned income certain deductions?

Mr. HAWLEY. In arriving at the net income you add together all the gross income, which was part earned and part unearned, and then you subtract your deductions and exemptions, and so arrive at the net income. That is the procedure irrespective of the nature of the income.

Mr. BURTNESS. But you have your exemption to deduct.

Mr. HAWLEY. Having ascertained that this man would pay a tax of \$16,000, we find that his earned income, on which he is entitled to the deduction of 25 per cent, is \$8,000, and 25 per cent of \$8,000 is \$2,000. Subtracting this amount allowed on the \$8,000 of earned income from the \$16,000 tax as computed, he pays \$14,000 tax. Does that answer the gentleman's inquiry?

Mr. YOUNG. I think what my colleague wanted to know is how are you going to allot that exemption. If there is \$5,000—

Mr. HAWLEY. The exemptions have to do with ascertaining the net taxable income.

Mr. BURTNESS. There is the matter of the reductions in the exemptions that I had in mind, and there are deductions for losses, and so on.

Mr. HAWLEY. Those are deductions from the gross income.

The CHAIRMAN. The time of the gentleman from Oregon has expired.

Mr. HAWLEY. May I have additional time?

Mr. GREEN of Iowa. I yield to the gentleman 10 minutes more.

The CHAIRMAN. The gentleman from Oregon is recognized for 10 minutes more.

Mr. BURTNESS. I understand, in effect, that all of these deductions will come out of the unearned income in a way, because, if I understand the gentleman correctly, the taxpayers will have the benefit of 25 per cent reduction on gross income without any deduction whatsoever.

Mr. HAWLEY. I do not think that is quite the case. I have stated my understanding of the operation of this provision.

Mr. BURTNESS. I note that in the bill earned net income is defined as being—

The excess of the amount of the earned income over the sum of the earned-income deductions.

Now, then, is it not plain or is not the conclusion this: That your deductions must come from that portion of the tax which is regarded as earned, so that if a man has, for instance, \$8,000 of earned income, but he has taxes or something else which amount to a couple of thousand dollars, and which he is entitled to subtract from his total income, that that portion must come from the tax which is earned and that the 25 per cent is based only upon the net earned income and not upon the gross earned income?

Mr. HADLEY. Is not this true, that regardless of this discussion the understanding of the committee in regard to this subject is that the taxpayer will make his return exactly as he has done heretofore and ascertain his net income and the tax thereon as if this provision were not in the bill?

Mr. HAWLEY. Exactly.

Mr. HADLEY. Having done that he will then ascertain the amount of the tax attributable to his earned income, take one-fourth of that and deduct it from the other total?

Mr. HAWLEY. Yes; I think we have exactly the same understanding.

Mr. HADLEY. And that is the interpretation of the tax expert and the understanding of the committee?

Mr. HAWLEY. So I understand.

Mr. HADLEY. That is the understanding of the committee as it is written in the bill.

Mr. HAWLEY. The last item I will have time to present is the distribution of the balance of the \$341,000,000 in a reduction of the normal tax and surtaxes. We had \$341,000,000 available for effecting reductions under the first estimate submitted to the committee. We use \$108,000,000 of that, in round figures, in a reduction of the excise taxes; that leaves \$233,400,000. It is the purpose of the bill to fill all the brackets of the surtax schedule with taxpayers. When the taxes were low before the war the upper brackets had many taxpayers in them; with an increase of the taxes the number diminished, and our theory is that we should collect a reasonable tax from thousands and tens of thousands in all these brackets rather than to collect a very high tax from a few hundreds in the higher brackets. The whole purpose of the bill is to cause a revival of business in so far as income-tax rates can do so and to multiply the number of taxpayers in each bracket. By having a wider base of taxation at a lower rate we will attain sufficient moneys for the conduct of the Government without handicapping industrial and commercial development.

TABLE VI.—Estimated effect upon the revenue of the proposed changes in the individual income tax law, upon the base of returns for the second year after the law is in full effect.

| Income-tax brackets.          | Number paying tax in each bracket. | Loss in tax as compared with estimated tax for 1923. |                |                                 |                                  |   | Net reduction in tax collected. |
|-------------------------------|------------------------------------|--|----------------|---------------------------------|----------------------------------|---|---------------------------------|
|                               |                                    | Normal tax (loss).                                   | Surtax (loss). | Earned-income provision (loss). | Capital-losses provision (gain). | Certain deductions limited to nontaxable income (gain). |                                 |
| Under \$5,000.....            | 3,944,200                          | \$50,000,000   | .....          | \$50,000,000                    | \$800,000                        | \$1,100,000   | \$98,100,000                    |
| \$5,000 to \$10,000.....      | 708,200                            | 80,600,000   | \$17,500,000   | 25,500,000                      | 700,000                          | 1,000,000   | 71,900,000                      |
| \$10,000 to \$20,000.....     | 228,200                            | 2,000,000  | 4,400,000      | 14,000,000                      | 500,000                          | 1,100,000   | 18,800,000                      |
| \$20,000 to \$50,000.....     | 80,200                             | 1,300,000  | 10,100,000     | .....                           | 1,000,000                        | 1,800,000   | 8,600,000                       |
| \$50,000 to \$100,000.....    | 16,500                             | 4,500,000  | 21,100,000     | .....                           | 2,000,000                        | 2,100,000   | 21,500,000                      |
| \$100,000 to \$150,000.....   | 3,620                              | 1,300,000  | 11,100,000     | .....                           | 4,000,000                        | 4,200,000   | 4,200,000                       |
| \$150,000 to \$200,000.....   | 1,430                              | 550,000  | 6,600,000      | .....                           | 3,000,000                        | 2,400,000   | 1,750,000                       |
| \$200,000 to \$300,000.....   | 840                                | 450,000  | 7,400,000      | .....                           | 3,000,000                        | 2,300,000   | 2,550,000                       |
| \$300,000 to \$500,000.....   | 380                                | 400,000  | 8,100,000      | .....                           | 3,500,000                        | 2,500,000   | 2,500,000                       |
| \$500,000 to \$1,000,000..... | 150                                | 300,000  | 7,200,000      | .....                           | 3,000,000                        | 2,900,000   | 1,600,000                       |
| Over \$1,000,000.....         | 30                                 | 200,000  | 8,300,000      | .....                           | 3,500,000                        | 3,100,000   | 1,900,000                       |
| Gain.....                     |                                    |  |                |                                 | 25,000,000                       | 24,500,000  |                                 |
| Loss.....                     |                                    | 91,600,000   | 101,800,000    | 89,500,000                      |                                  |   | 233,400,000                     |

The correction to be made for earned revenues I have previously presented.

Normal taxes.

|  | Present rate. | Proposed rate. |
|--|---------------|----------------|
|  | Per cent.     | Per cent.      |
| The normal tax on the first \$4,000 of taxable income..... | 4             | 3              |
| On the remainder of the taxable income.....                | 8             | 6              |

That is, the normal tax rates are reduced 25 per cent. Before a taxpayer is considered to have an income subject to the normal tax he is authorized to make generous deductions from his gross income in determining his net income. After he has arrived at that net income he subtracts the special exemptions, so that he does not pay the normal tax on all of his net income but upon a part of it only. These exemptions are \$1,000 for single persons; \$2,500 for the head of a family having a net income of \$5,000 or less, but when his net income is in excess of \$5,000 the exemption is \$2,000; and \$400 for each

dependent child under 18 years of age, and for other dependents physically or mentally deficient.

The amount allowed for an average family of parents and three children is \$3,700, which subtracted from the net income leaves the taxable income. The result is that millions of persons pay no income taxes, and only about half of those making returns pay taxes.

The loss to the revenue from these changes in the normal taxes is \$91,600,000, of which taxpayers who have incomes under \$5,000 are benefited to the extent of \$50,000,000.

SURTAXES.

Under existing law a person having a net income of \$6,000 or less pays no surtax. We have increased this exemption, so that under the pending bill a person having a net income of \$10,000 or less will pay no surtax.

The following table presents a comparison of the present and proposed rates. Since the amount of earned income will be a variable factor, no account is taken of it in this table. However, the taxes given here will be reduced in all cases where earned income is a factor by 25 per cent of the amount of tax attributable to the earned income up to \$20,000. By keeping this in mind, corrections can be made for earned or mixed incomes with comparative ease. Columns 4 and 6 give the amount of the surtax for each bracket. By making the necessary additions the total tax can be ascertained.

TABLE VII.—Comparative surtax table at proposed rates on unearned income for 1924.

| Net-income brackets. |           | Surtax on income in each bracket. |         |                |         |
|----------------------|-----------|-----------------------------------|---------|----------------|---------|
|                      |           | Present rates.                    |         | Imposed rates. |         |
| Over.                | Not over. | Rate per cent.                    | Amount. | Rate per cent. | Amount. |
| 1                    | 2         | 3                                 | 4       | 5              | 6       |
| \$6,000              | \$10,000  | 1                                 | \$40    | None.          | None.   |
| \$10,000             | 12,000    | 2                                 | 40      | 1              | \$20    |
| \$12,000             | 14,000    | 3                                 | 60      | 2              | 40      |
| \$14,000             | 16,000    | 4                                 | 80      | 3              | 60      |
| \$16,000             | 18,000    | 5                                 | 100     | 4              | 80      |
| \$18,000             | 20,000    | 6                                 | 120     | 5              | 100     |
| \$20,000             | 22,000    | 8                                 | 160     | 6              | 120     |
| \$22,000             | 24,000    | 9                                 | 180     | 7              | 140     |
| \$24,000             | 26,000    | 10                                | 200     | 8              | 160     |
| \$26,000             | 28,000    | 11                                | 220     | 9              | 180     |
| \$28,000             | 30,000    | 12                                | 240     | 10             | 200     |
| \$30,000             | 32,000    | 13                                | 260     | 11             | 220     |

TABLE VII.—Comparative surtax table at proposed rates on unearned income for 1924—Continued.

| Net-income brackets. |           | Surtax on income in each bracket. |         |                |         |
|----------------------|-----------|-----------------------------------|---------|----------------|---------|
|                      |           | Present rates.                    |         | Imposed rates. |         |
| Over.                | Not over. | Rate per cent.                    | Amount. | Rate per cent. | Amount. |
| 1                    | 2         | 3                                 | 4       | 5              | 6       |
| \$32,000             | \$34,000  | 15                                | \$300   | 12             | \$240   |
| \$34,000             | 36,000    | 15                                | 300     | 13             | 260     |
| \$36,000             | 38,000    | 16                                | 320     | 14             | 280     |
| \$38,000             | 40,000    | 17                                | 340     | 14             | 280     |
| \$40,000             | 42,000    | 18                                | 360     | 15             | 300     |
| \$42,000             | 44,000    | 19                                | 380     | 15             | 300     |
| \$44,000             | 46,000    | 20                                | 400     | 15             | 300     |
| \$46,000             | 48,000    | 21                                | 420     | 16             | 320     |
| \$48,000             | 50,000    | 22                                | 440     | 16             | 320     |
| \$50,000             | 52,000    | 23                                | 460     | 16             | 320     |
| \$52,000             | 54,000    | 24                                | 480     | 17             | 340     |
| \$54,000             | 56,000    | 25                                | 500     | 17             | 340     |
| \$56,000             | 58,000    | 26                                | 520     | 17             | 340     |
| \$58,000             | 60,000    | 27                                | 540     | 18             | 360     |
| \$60,000             | 62,000    | 28                                | 560     | 18             | 360     |
| \$62,000             | 64,000    | 29                                | 580     | 18             | 360     |
| \$64,000             | 66,000    | 30                                | 600     | 19             | 380     |
| \$66,000             | 68,000    | 31                                | 620     | 19             | 380     |
| \$68,000             | 70,000    | 32                                | 640     | 19             | 380     |
| \$70,000             | 72,000    | 33                                | 660     | 20             | 400     |
| \$72,000             | 74,000    | 34                                | 680     | 20             | 400     |
| \$74,000             | 76,000    | 35                                | 700     | 20             | 400     |
| \$76,000             | 78,000    | 36                                | 720     | 21             | 420     |
| \$78,000             | 80,000    | 37                                | 740     | 21             | 420     |
| \$80,000             | 82,000    | 38                                | 760     | 21             | 420     |
| \$82,000             | 84,000    | 39                                | 780     | 22             | 440     |
| \$84,000             | 86,000    | 40                                | 800     | 22             | 440     |
| \$86,000             | 88,000    | 41                                | 820     | 22             | 440     |
| \$88,000             | 90,000    | 42                                | 840     | 23             | 460     |
| \$90,000             | 92,000    | 43                                | 860     | 23             | 460     |
| \$92,000             | 94,000    | 44                                | 880     | 23             | 460     |
| \$94,000             | 96,000    | 45                                | 900     | 24             | 480     |
| \$96,000             | 98,000    | 46                                | 920     | 24             | 480     |
| \$98,000             | 100,000   | 47                                | 940     | 24             | 480     |
| \$100,000            | 150,000   | 48                                | 24,000  | 25             | 12,500  |
| \$150,000            | 200,000   | 49                                | 24,500  | 25             | 12,500  |
| Over \$200,000       |           | 50                                |         | 25             |         |

This table shows the estimated gain or loss in revenue over that estimated under the present law, due to the proposed changes in the revenue act of 1921, and allows for the estimated increase in incomes by reason of the readjustment of taxes.

The figures opposite each income-tax bracket cover the total estimated receipts within that bracket.

The last complete report of the number of persons paying income taxes is for the year 1921; 6,662,176 persons filed returns, out of which 3,589,985 paid a tax.

TABLE VIII.—Estimated effect upon the revenue of the proposed changes in the individual income tax law.

| Income-tax brackets.  | Number paying tax in each bracket. | Loss in tax when all changes are in full effect. On income for calendar year 1924; tax collected 1925. |              |  |                           |  |                                 |
|-----------------------|------------------------------------|--|--------------|--|---------------------------|--|---------------------------------|
|                       |                                    | Normal tax.  | Surtax.      | Earned income at 75 per cent of rates. | Capital losses provision. | Certain deductions limited to nontaxable income. | Net reduction in tax collected. |
|                       |                                    | (Loss.)  | (Loss.)      | (Loss.)                                | (Gain.)                   | (Gain.)  |                                 |
| \$1,000-\$2,000       | \$7,308,200                        | \$64,500,000   | \$50,000,000 | \$1,000,000                            | \$2,000,000               | \$92,750,000                                     |                                 |
| \$2,000-\$4,000       | 4,658,200                          | 16,100,000   | 17,500,000   | 500,000                                | 1,000,000                 | 52,100,000                                       |                                 |
| \$4,000-\$6,000       | 1,158,200                          | 2,000,000  | 4,400,000    | 500,000                                | 1,500,000                 | 18,260,000                                       |                                 |
| \$6,000-\$10,000      | 558,200                            | 1,300,000  | 10,100,000   | 1,000,000                              | 2,500,000                 | 30,380,000                                       |                                 |
| \$10,000-\$20,000     | 228,200                            | 80,200   | 4,500,000    | 2,775,000                              | 3,000,000                 | 23,645,000                                       |                                 |
| \$20,000-\$50,000     | 80,200                             | 1,300,000  | 11,100,000   | 56,000                                 | 4,000,000                 | 996,000  |                                 |
| \$50,000-\$100,000    | 16,500                             | 550,000  | 6,600,000    | 39,000                                 | 3,000,000                 | 719,000  |                                 |
| \$100,000-\$150,000   | 3,620                              | 450,000  | 7,400,000    | 26,000                                 | 3,000,000                 | 1,406,000  |                                 |
| \$150,000-\$200,000   | 1,430                              | 400,000  | 8,100,000    | 30,000                                 | 3,500,000                 | 1,550,000  |                                 |
| \$200,000-\$500,000   | 840                                | 300,000  | 7,200,000    | 34,000                                 | 3,000,000                 | 544,000  |                                 |
| \$500,000-\$500,000   | 330                                | 200,000  | 8,300,000    | 40,000                                 | 3,500,000                 | 550,000  |                                 |
| \$500,000-\$1,000,000 | 150                                |  |              |  |                           |  |                                 |
| Over \$1,000,000      | 30                                 |  |              |  |                           |  |                                 |
| Gain                  |                                    |  |              | 25,000,000                             | 35,000,000                |  |                                 |
| Loss                  |                                    | 91,600,000   | 101,800,000  | 105,500,000                            |                           | 239,400,000                                      |                                 |

This table has been corrected by inserting in the fourth column, relating to unearned income, the last estimate of loss of revenue under the provision as written by the committee.

TABLE IX.—Table showing decline of taxable incomes over \$300,000.

| Year.    | Number of returns. |                         | Net income.     |                         | Dividends and interest on investments. |                         |
|----------|--------------------|-------------------------|-----------------|-------------------------|--|-------------------------|
|          | All classes.       | Incomes over \$300,000. | All classes.    | Incomes over \$300,000. | All classes.                           | Incomes over \$300,000. |
| 1916.... | 437,035            | 1,296                   | \$5,298,577,620 | \$992,972,986           | \$3,217,345,030                        | \$705,945,738           |
| 1917.... | 3,472,890          | 1,015                   | 13,652,383,207  | 731,372,153             | 3,785,557,955                          | 616,119,892             |
| 1918.... | 4,425,114          | 627                     | 15,924,639,355  | 401,107,888             | 3,872,234,935                          | 344,111,461             |
| 1919.... | 5,332,760          | 679                     | 19,859,491,448  | 440,011,589             | 3,954,553,925                          | 314,984,884             |
| 1920.... | 7,259,944          | 395                     | 23,735,629,183  | 246,354,585             | 4,445,145,223                          | 229,052,039             |
| 1921.... | 6,662,176          | 246                     | 19,577,212,528  | 153,534,305             | 4,167,291,294                          | 155,370,228             |

TABLE X.

The income and profits taxes collected for the fiscal years given below are as follows:

|   |                  |
|---|------------------|
| Ending June 30, 1916.....   | \$124,937,252.61 |
| Ending June 30, 1917.....   | 359,718,404.33   |
| Ending June 30, 1918.....   | 2,838,999,894.28 |
| Ending June 30, 1919.....   | 2,600,783,902.70 |
| Ending June 30, 1920.....   | 3,956,936,003.60 |
| Ending June 30, 1921.....   | 3,228,137,673.75 |
| Ending June 30, 1922.....   | 2,086,918,464.85 |
| Ending June 30, 1923.....   | 1,691,089,534.56 |
| Ending June 30, 1924, estimated and including \$250,000,000 back taxes..... | 1,850,000,000.00 |
| Ending June 30, 1925, estimated and including \$200,000,000 back taxes..... | 1,800,000,000.00 |

The computations given in this table show how the reductions in the income taxes, as proposed in the bill, will be distributed to those paying taxes in the different brackets. The net reduction is estimated to be about \$233,400,000 when the rates provided in the pending bill have gone into full effect, as compared with the estimated return under existing law for the calendar year 1923.

TABLE XI.

| Brackets showing amounts of income on which taxes are to be paid in each bracket.                            | Amount of reduction for the relief of those paying taxes in each bracket. | Per cent reduction for relief of those paying taxes in each bracket. |
|--|---|--|
| Income less than \$5,000.....  | \$68,668,020  | 42.03  |
| From \$5,000 to \$10,000.....  | 71,910,540  | 30.81  |
| From \$10,000 to \$15,000.....   | 11,179,890  | 4.79   |
| From \$15,000 to \$20,000.....   | 7,608,840   | 3.26   |
| Total reduction for all incomes below \$20,000; that is, for the first six brackets of the existing law..... | 188,797,260   | 80.89  |
| From \$20,000 to \$25,000.....   | 1,610,460   | .69  |
| From \$25,000 to \$50,000.....   | 7,002,020   | 3.00   |
| Over \$50,000.....   | 35,990,260  | 15.42  |
| Total reduction for all brackets over \$20,000; that is for 42 brackets of existing law.....                 | 44,602,740  | 19.11  |

Those paying on incomes of less than \$5,000 get 42.03 per cent of the reduction proposed of \$233,400,000, those paying on incomes varying from \$5,000 to \$10,000 get 30.81 per cent or \$71,910,540; that is, taxpayers who pay on incomes of \$10,000 or less receive 72.84 per cent of the total reduction proposed, or \$170,008,560. This is a very large percentage and affords very substantial relief to taxpayers having small incomes.

I have selected \$20,000 as the dividing line, because that is at the limit of the allowance for earned incomes. All taxable incomes below \$20,000 receive 80.89 per cent of this reduction, or, in round figures, \$189,000,000. I submit to you gentlemen that that is distributing the reduction to the lower brackets very fairly. All incomes from \$20,001 and above will benefit only 19.11 per cent, or a reduction of \$44,602,000.

The statement that the proposed reduction affects the upper brackets more than the lower brackets, I think, is founded on a misconception of the facts, because here are the facts. Here are the figures, and they show that taxable incomes below \$10,000 gets 73 per cent of the reduction, and all incomes above \$10,000 only get 27 per cent of the reduction.

Mr. OLIVER of Alabama. Will the gentleman yield for just one other question?

Mr. HAWLEY. Yes.

Mr. OLIVER of Alabama. The gentleman has stated that as you reduce the surtaxes you invite money into industrial lines. What is there now to discourage one who is subjected to a

high surtax from organizing a family corporation and avoiding all surtaxes and enjoying the benefits only of a 12½ per cent flat rate on the business.

Mr. GREEN of Iowa. If the gentleman will permit, that is fully provided for in the law.

Mr. HAWLEY. Yes; that is provided for in the law. I have not the time to go into that, I regret to state. I have some matters that seem to me of great importance which I desire to present. We reduced the taxes in 1921 when the public net income was \$19,000,000,000. As a result the public net income today is estimated to be about \$24,000,000,000; that is, there has been an increase of public income of \$5,000,000,000 as a result of the former reduction in taxes and the general revival of business.

If we leave the situation as it is, without affording the relief proposed in the bill, corporations which have only a 12½ per cent tax or can set apart a part of their surplus for expansion and development of their business have an advantage over individuals and unincorporated companies in that when a new business starts, whether by an individual or by an unincorporated company, and they go out to get money, they must get money that has been taxed at more than 50 per cent, while the corporation obtains money that is not so taxed. The reductions we propose are for the promotion of competition and the development of individual and company business, as well as to widely distribute the burdens of taxes; but above all, I desire to insist that a sound principle of income taxation is based on a graduated scale and where the various brackets, from the lowest to the highest, are fairly well filled, so that instead of having almost a flat pyramid you have a sharp pyramid and collect a fair and reasonable rate upon a varying volume of business.

Mr. WURZBACH. Will the gentleman yield?

Mr. HAWLEY. Yes.

Mr. WURZBACH. Could the number of taxpayers under those several brackets be put in the Record?

Mr. HAWLEY. Yes. I will ask permission to put in the Record a large number of tables which I have prepared and which I think the committee will find useful.

Mr. OLIVER of Alabama. Will the gentleman yield?

Mr. HAWLEY. For a question.

Mr. OLIVER of Alabama. I assume it would follow, then, that if you decrease the surtax down to 15 per cent it would still increase the returns we would have?

Mr. HAWLEY. I think the gentleman will acknowledge that there is a point of diminishing returns in the collection of taxes, but 25 per cent is not a point of diminishing returns.

Mr. OLIVER of Alabama. In other words, when we took off the excess-profits tax from corporations and placed a flat rate of 15 per cent we increased the rate to the smaller bracket men from 12 to 15 per cent and put them all on the same basis.

Mr. HAWLEY. The rate on corporations is 12½ per cent.

Mr. OLIVER of Alabama. Yes; from 12½ to 15 per cent.

Mr. HAWLEY. No. The corporation tax is 12½ per cent now, raised from 10 per cent when the excess-profit taxes were repealed in 1921.

Mr. OLIVER of Alabama. Is it the purpose of the gentleman to eventually cut out many of the brackets so as to put all on practically the same basis, as you have in the case of corporations?

Mr. HAWLEY. No. So far as I am concerned, I am in favor of a graduated income tax.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAWLEY. May I have five minutes more?

Mr. GREEN of Iowa. Yes; I will yield the gentleman five minutes more.

The CHAIRMAN. The gentleman from Oregon is recognized for five additional minutes.

Mr. HAWLEY. The proposal to tax the incomes in the higher brackets at rates in excess of the maximum of 25 per cent in order to secure from the larger incomes a greater return results in taxing the active business of the country, which is developing our national wealth, employing labor, purchasing commodities, while the nonproductive billions held by those who are escaping taxation by the possession of tax-exempt securities are relieved from any burden of the support of the country.

It also handicaps individuals and nonincorporated companies which need additional capital for expansion or new enterprises, as against corporations which have capital taxed at a much lower rate.

If we take half of all incomes over \$100,000 in taxes, and the State, county, city, school, and other local taxes collect an additional sum out of these incomes, we are gradually drying up the national prosperity.

The taxes collected under State authority exceed in amount all the taxes collected by the National Government.

Furthermore, the State taxes exceed the income taxes collected by the National Government by about \$2,400,000,000. When business has paid its proportion of this vast amount, the amount paid by the brackets, in existing law, above \$60,000, at which the 28 per cent rate applies, commerce and industry will pay in National, State, and local taxes from \$40 to \$66 out of every \$100 of taxable income.

Now, we believe that is a handicap to business, an embarrassment to industry and commerce, and we believe we can reduce the taxes of all the people as proposed in the bill and greatly stimulate industry, the employment of labor, the consumption of products, and still get all the money we need with half the rate of tax.

The purpose of the bill is to greatly increase the number paying taxes in the higher brackets and so obtain from them larger amounts of revenue at lower rates. Before the war, when the rates were much lower than those now proposed, the number of persons paying in the higher brackets was very much larger.

The following table issued by the Department of Commerce states the combined taxation imposed by National and State authorities:

TAXES COLLECTED BY THE NATION, BY STATE GOVERNMENTS, BY COUNTIES, AND BY ALL CIVIL DIVISIONS HAVING POWER TO LEVY AND COLLECT TAXES, 1922.

On January 21, 1924, the Department of Commerce issued a statement in regard to the specified revenues of the National Government, of the 48 States and the District of Columbia, and of counties, cities, towns, villages, school districts, townships, drainage districts, park districts, and other civil divisions having power to levy and collect taxes.

The grand total of these revenues is \$7,433,081,000, or an average of \$68.37 for each person. Of this total, \$3,204,133,000 represent the revenues of the National Government, consisting of customs, \$562,189,000; internal revenue (1) income and profit tax, \$1,691,090,000, and (2) miscellaneous taxes, \$933,699,000; tax on circulation of national banks, \$4,304,000; and Federal reserve franchise tax, \$10,851,000.

The total of the revenues of States, counties, cities, townships, and other local political units is \$4,228,948,000, or an average of \$38.90 for each person. Of this total, \$3,329,380,000, or 78.7 per cent, come from general property taxes. Special taxes, including inheritance, income, etc., contribute \$258,034,000; poll taxes, \$29,190,000; licenses and permits, \$408,597,000; and special assessments, \$203,747,000.

TABLE XII.—Specified revenues of the States, counties, incorporated places, townships, school districts, and all other civil divisions, 1922, and of the National Government, 1923.

[Totals expressed in thousands.]

| Civil divisions.            | General property taxes. | Special taxes. | Poll taxes. | Licenses and permits. | Special assessments. | Total.    |
|-----------------------------|-------------------------|----------------|-------------|-----------------------|----------------------|-----------|
| State governments.....      | \$348,290               | \$196,081      | \$8,324     | \$305,365             | \$9,408              | \$867,468 |
| Counties.....               | 683,896                 | 4,785          | 9,200       | 25,251                | 19,197               | 742,331   |
| Incorporated places.....    | 1,344,316               | 62,847         | 7,196       | 73,238                | 149,732              | 1,627,329 |
| Townships.....              | 140,635                 | 3,829          | 1,682       | 3,266                 | 1,905                | 151,318   |
| School districts.....       | 734,994                 | 236            | 2,096       | 1,132                 | 35                   | 738,433   |
| All other civil divisions.. | 77,247                  | 256            | 752         | 345                   | 23,469               | 102,069   |
| Total.....                  | 3,329,380               | 258,034        | 29,190      | 408,597               | 203,747              | 4,228,948 |
| National Government.....    |                         |                |             |                       |                      | 3,204,133 |
| Grand total.....            |                         |                |             |                       |                      | 7,433,081 |

The figures for the National Government for the fiscal year ended June 30, 1923, are \$3,630,215,000. The aggregate of all taxes collected for that year was \$7,859,163,000.

The committee gave many days to the consideration of amendments to the existing law the purpose of which was to prevent evasions of taxes or, in common parlance, to stop the leaks. I think a careful examination of these amendments will convince anyone that we have pretty effectually stopped all known or anticipated leaks except the greatest one of all, which is the investment of money in tax-exempt securities, leading to the withdrawal of moneys from investment in business or taxable securities.

I have taken part in the preparation of the revenue acts of 1918, 1921, and 1924 as proposed. The leak caused by tax-exempt securities has been a growing difficulty. And the difficulty increases each year with the continually increasing amount of such securities issued. While this vast body of tax-exempt securities exists it will be impossible to enact an income tax law that will tax all who ought to pay taxes in proportion to their ability to pay.

All persons should pay in proportion to their ability, but the law should not handicap that ability by unnecessary burdens. The way to lower taxes for all taxpayers is to increase the number of taxpayers and to make possible an increase in taxable incomes.

The bill reduces the taxes of all taxpayers and relieves from all income taxes a great number now paying in the lower brackets. No person whose taxable income is \$10,000 or less will pay any surtax.

Before computing the normal tax several exemptions are subtracted. The normal rate is reduced 25 per cent. And after the tax is computed 25 per cent of the tax will be subtracted in the case of earned incomes. This will apply practically to all taxpayers in the lower brackets. The tax of a married man with two children, having an earned income of \$8,000, will be reduced more than 44 per cent.

The proponents of the bill desire to raise revenues sufficient for the conduct of the Government at rates of taxation reduced for all, based upon the experience of the past that lower rates fill the higher brackets with increased numbers of taxpayers.

The opponents of the bill propose higher surtax rates of taxation, with a consequent deficiency in revenue and the further depopulation of the higher brackets.

While we have continually increasing issues of tax-free securities, running into the billions of dollars, it will be impossible to enact legislation taxing all incomes in proportion to ability to pay, since the income from such securities is not taxable by the Federal Government, except as to part of its own issues. Hundreds of millions of dollars of interest paid to the holders of these securities escape all taxation. The existence of these securities makes scientific legislation for all incomes impossible, because it transfers to other taxpayers the burdens this exempt income should bear.

This bill, with its amendments closing the doors to evasions of taxes and providing greatly reduced rates of taxation for all, eliminating many from the lower brackets and the repeal or reduction of many of the so-called nuisance taxes, will afford the relief the country needs to the fullest extent present circumstances permit.

I expect in the near future that it will be possible to further reduce income taxes and reduce or repeal many other excise taxes.

This bill carries relief to all taxpayers in the aggregate amount of over \$570,000,000. [Applause.]

Mr. COLLIER. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. SHERWOOD].

The CHAIRMAN. The gentleman from Ohio is recognized for 10 minutes.

Mr. SHERWOOD. Mr. Chairman, after being bombarded for 48 hours with heavy artillery, I thought, perhaps, something in lighter vein might be tolerated. In looking over the audience I find it is somewhat short. This is the principal merit of my speech.

Mr. Chairman, it seems to me that the owners of automobiles are subjected to more than their legitimate share of taxation in the pending tax bill. I shall discuss that contention from a disinterested standpoint.

I do not own an automobile and never owned one and do not expect to own one; hence my view is entirely disinterested. My last motor for pleasure driving or for getting around was a pair of trotters that could act high and trot fast and could keep the middle of the road without a guiding wheel, and never killed anybody, not even the farmers' chickens or pigs—going with a slack rein at 10 miles an hour, with my eyes on the surrounding landscape and silent ears to hear the birds singing in the trees.

After I had been smashed up, or rather smashed down, three times by the machine buzz wagons, I was compelled to sell my trotters, with sadness too deep for tears.

I am now ready to recognize the inevitable. The auto has come to stay, both as a recreative factor and a utility machine. With machine politics and machine poetry and canned music, the machine motor is inevitable. The horse of the heroics in war, the horse of chivalry in the crusades, the horse of romance in literature, we shall see no more.

In our last war—the World War—no bold cavalier rode the battle's front on a red-nostrired war horse to the top of the parapet amid the plaudits of the brave boys behind the guns. Poison gas, airplanes dropping bombs from the sky, machine guns, long-range cannon, and chemical laboratories were doing the work of war.

Even that dizzy perch in the White House is about to be filled by machine methods. The office no longer seeks the



man. Those old-time days, when the people made the candidate, have gone into the gloom of the dead centuries.

In the present environment war produces no dramatic poems to compare with Lord Byron's *Mazeppa* or Sir Walter Scott's *Young Lochinvar* or Thomas Buchanan Read's *Sheridan's Ride* or Father Ryan's *Conquered Banner* or even Bobby Burns's *Tam O'Shanter's Mare*. We are going too swiftly now to see James Whitcomb Riley's *Frost Upon the Pumpkin*.

It would be impossible in the present environment to produce another Washington Irving, who wrote those entrancing tales of the Moslem Moors who sang to the black-eyed daughters of Andalusia, who danced in the orange groves of the Guadalquivir in the heroic age of Moorish chivalry.

We are in a material age now, and I am going to get down to brass tacks.

The Federal excise tax on all passenger automobiles, accessories, and parts is 5 per cent. The tax on a Ford car would, therefore, vary from a minimum tax of \$14 for a runabout to \$27.40 for the more finished and more expensive product of Henry Ford.

The excise tax on trucks, truck tires, accessories, and parts amounts to 3 per cent. The man who buys a shock absorber pays his tax on this article. The farmer driving his flivver along the country road must pay a tax on a new axle that he buys when an old one breaks in "taking" a deep rut. Taxes must be paid on tires, safety lights, and even mufflers. Think of taxing a motorist for muffling the noise of a rickety old machine.

The automobile owner is the most taxed individual both as to the number and variety of special and general taxes imposed upon him by the Federal, State, county, and municipal taxing units. Often the automobile owner residing in the city pays as many as seven kinds of taxes in addition to the four levied on him by the Federal Government whenever he buys a car, a tire, accessory, or a repair part. Among other things, he pays:

1. Excise tax.
2. State license fees.
3. State gasoline tax (in 38 States).
4. State personal property tax.
5. City personal property tax.
6. State or city driver's license.
7. State title registration fees.

In some instances the counties add three more taxes by duplicating the license, gasoline, and personal-property tax. No class of citizen pays so many taxes on one article of use as the motorist. The automobile is now a necessity, and it enters into every phase of economic, commercial, and social life.

There are 15,000,000 motorists in the United States, and 1,074,000 of these motorists live in Ohio. The auto taxes at present are discriminatory as a whole. The tax on accessories is a nuisance tax and the tax on parts that the autoist must pay when he has a breakdown is merely a misfortune tax.

Secretary Wallace, of the Department of Agriculture, recently said that Government automobile revenues for the last fiscal year ended June 30, 1923, were in round numbers \$146,000,000, and the withdrawals from the Treasury for Federal-aid highway purposes were approximately \$72,000,000, which indicates clearly that the owners and operators of motor vehicles are bearing more than double the entire Federal expenditure for roads.

The auto tax does not work a great hardship upon the manufacturers or the distributing agents. It is passed on to the man who buys the car, and statistics show that the majority of the automobiles are purchased on a time basis, and in addition to paying taxes the motorist must pay heavy interest on his deferred payments under the designation of "carrying charge."

The automobile a few years ago was considered a luxury. It is now a necessity. Sixty per cent of them are owned by farmers who use them largely for business purposes. The merchant, the doctor, the banker, the lawyer, business men, and factory workers innumerable use the automobile. It is rapidly replacing the street car. Traction companies all over the country are in a bad way financially because the public finds the auto more serviceable, more efficient, and more reliable.

Kindly officials have sought fit to remove the tax on pleasure yachts, chewing gum, soft drinks, trunks, valises, purses, fountain sirups, hunting and bowie knives, motor boats, dirks, knives and daggers, jewelry, hunting and shooting garments, and carbonic-acid gas. At no time has there been a tax on hot air. I will favor a heavy tax on that any time.

But the automobile has been overlooked. The humble buyer of the Ford car must pay a tax of \$15.20 for the privilege of

buying a car and the more expensive the auto, the more the buyer must pay.

The tax on spare parts hits the farmer hardest because he encounters the worst roads, most of his trips are long ones, and often his machines are loaded, his trucks with produce, his pleasure car with children. Bless him.

If automobiles were luxuries we would expect them to be among the most heavily taxed commodities, but they are not luxuries, as is best evidenced by the words of the late President Harding in his first message to Congress when he said:

The motor car has become an indispensable instrument in our political, social, and industrial life.

May I not hope that the Ways and Means Committee will look carefully into this question and adjust these taxes on the basis of even and exact justice and equity?

I yield back the balance of my time.

The CHAIRMAN. The gentleman from Ohio yields back three minutes.

Mr. GREEN of Iowa. Mr. Chairman, I yield 45 minutes to the gentleman from Wisconsin [Mr. FREAR].

The CHAIRMAN. The gentleman from Wisconsin is recognized for 45 minutes.

Mr. FREAR. Mr. Chairman, I repeat the request made by the chairman of the committee when he said he would prefer not to be interrupted until he had finished. I would prefer not to be interrupted until I have concluded what I have to say, and then, if I bring any response from anyone, and it is considered of sufficient importance, I would be very glad to have them answer in their own time, if I have none remaining, and I shall be very glad to answer them thereafter.

I do not like to refer to notes, but I feel that this occasion is one that requires it in order to present the case in hand. The gentleman who talked just before the gentleman from Ohio [Mr. SHERWOOD], Mr. HAWLEY, presented to you a rather extended tax statement, and I only suggest this one thing to you to show how unintentionally misleading it is to have a diagram placed before you like the one he offered. He showed the enormous amount of money which was paid by the smaller taxpayers and the very limited amount apparently by the others in the higher brackets; but if you will examine this report of the committee, you will find 3,500,000 taxpayers will pay \$50,000,000 in taxes under the Mellon bill, whereas under the same bill there are 21 taxpayers who now pay \$19,000,000 who will then have \$11,000,000 cut off from their incomes, and that is what we object to. It is as plain as the nose on a man's face. He did not state the number of taxpayers, only the amounts involved, and 21 taxpayers with \$1,000,000 incomes pay practically one-half as much as the 3,500,000. We object to relieving these 21 persons from \$11,000,000 taxes they now pay, and that will occur under the Mellon plan, if adopted.

Mr. Chairman, in separate views submitted by me on the tax bill I have said, in substance, I could not agree with important conclusions formed in the majority report of my Republican colleagues. Administrative corrections and excise-tax rates reported in the bill are not matters of disagreement, but the surtax cut of 50 per cent and normal-tax cut of only 25 per cent sent to us by Secretary Mellon for our approval are discriminatory and unjust to the great majority of income-tax payers of the country.

I agree with Secretary Mellon's declaration to Chairman GREEN that surtax rates are in no sense partisan. His recommendation and accompanying country-wide propaganda in its support is beyond question bipartisan, but acceptance of the 50 per cent high surtax-cut rates by a majority of the majority party of the committee, or of 11 members out of the 26, is a partisan finding, in my judgment, and unwarranted by any party pronouncement.

The Constitution contains a familiar provision, which reads: "Article I, section 7: All bills for raising revenue shall originate in the House of Representatives." The bill containing the 50 per cent surtax-cut rates originated in the Treasury or in New York City, or in both places. Its acceptance was vigorously urged on Congress as a partisan proposal. Its rejection or modification is in some places now made a test of party regularity.

I will not again discuss the several amendments which are to be introduced affecting a tax on so-called tax-free securities, increased inheritance and a new gift tax, an excess-profits tax, tax on undistributed profits, and, above all, publicity of Treasury-tax proceedings and records. Others will introduce some of these amendments, and when they are before the committee for action I may seek to add a few words to what has

been said, if deemed proper to do so. At this time I will not repeat arguments supporting these amendments.

On January 7 I offered a brief analysis of the so-called Mellon tax bill and proposed a substitute tax plan with the hope, however vain, that it might meet with favor at the hands of the committee. The bill now reported by the committee, which has received the support of 11 members of the majority, is the Mellon bill, unchanged so far as the normal tax and surtax provisions are concerned.

These are the main points in disagreement which have provoked four separate reports on the bill—one by Chairman GREEN and 2 other Republican Members, a second by 11 Republican Members, a third I submitted, and the 11 Democratic Members have presented a fourth report. Which, if either, will the House accept?

I do not intend again to discuss the merits of the Mellon bill as proposed by a majority of the majority of the committee. I am content to leave the bill without the change of a comma or period or dotting of an "i" or crossing of a "t," as swallowed by the committee without further comment than to say that last session Congress repealed the excess-profits tax and reduced the surtax from 65 per cent to 50 per cent, or a total reduction in taxes to those best able to pay of about \$500,000,000 annually. Practically nothing was done for the little fellow then beyond a slight change in exemptions.

Profiting by the wholesale reductions in their taxes last session brought about by the same arguments, the same powerful interests then active now seek to go further this year than last by cutting their taxes in half, as disclosed by the Mellon bill before us.

When the revenue bill passed the House last session not one amendment was permitted to be offered by the interests that are now behind the Mellon bill and controlled House action. We were bound, gagged, and allowed only to say "aye" or "no" on its passage when the bill was sent from the House to the Senate. It was a spectacle found in no other parliamentary body in the world. Four hundred and thirty-five Members elected by the people to represent them were gagged, tied hand and foot, and yet it was said they were legislating. This was to prove party regularity. Every Member of the Sixty-seventh Congress must have felt humiliated when the invisible government behind the scenes prevented us from voting on a single amendment, but we swallowed our pride and voted for the bill as reported from the committee.

#### THE SENATE REFUSED A 32 PER CENT RATE AND WE RECEDED.

The bill came back from the Senate where many amendments had been added, and the Senate raised the 32 per cent surtax in the House bill, sending it back to us at the present rate of 50 per cent. The House when given opportunity refused to cut the tax below 50 per cent, and when the same powers attempted to hold the maximum surtax at 32 per cent in the House 94 Republican Members joined with practically a solid Democrat vote and put the rate at 50 per cent, as fixed by the Senate. That is where it is now. Sixty-four of the 94 Republicans who voted against reducing the maximum rate from 50 per cent to 32 per cent are in the House now. Forty-one per cent of those who voted for 32 per cent last session were found dropped by the wayside when the Sixty-eighth Congress met. These are the figures given me. In other words, 65 Republicans of this House refused to reduce the maximum rate below 50 per cent last session.

By the bill before us, agreed to by 11 members of the committee, we find surtax rates cut from 50 per cent to 25 per cent as fixed by Mr. Mellon in his bill in addition to the \$500,000,000 slash made last year to the same large business interests now favored.

Every one of the 64 Republican Members of this House who voted against reducing from 50 per cent to 32 per cent will have opportunity to vote on the proposal to reduce to 25 per cent or to 35 per cent, which is about the same rate that was repudiated by these same Members last year. The bill as reported contains the 25 per cent Mellon maximum rate, but a motion will be made to restore the 50 per cent surtax rate.

In the House every Member assumes his own responsibility and we will again have a chance to vote back the 50 per cent surtax struck out by the committee, the tax rate fixed by the House last session. If the 50 per cent rate fails, we will have opportunity to do what we did last session, join with the Democrats on the next highest rate offered, which now is 44 per cent. I am giving no advice at this time beyond presenting an alternative.

#### OPPORTUNITY TO VOTE FOR 50 PER CENT SURTAX AGAIN PROMISED.

In addition, we will have opportunity to vote on a 50 per cent reduction of the normal tax, that, if passed, will give the little taxpayer double the reduction proposed by the Mellon plan of a

\$200,000,000 cut instead of \$100,000,000. If that fails, we may, if desired, vote for the Democratic plan that cuts the normal tax in half as we have proposed, but their cut is only up to \$8,000 or \$10,000 and then returns to the Mellon bill rates of 6 per cent normal tax. That is double the cut, however, given the small taxpayer who receives a one-quarter cut through the Mellon plan.

I ask that we cut the normal tax in half throughout, as proposed six weeks ago, and then we should hold the surtaxes where they now are because it is time the little fellow be given a fair part of the tax we have been delivering regularly to high income-tax payers.

Mr. McCoy appeared before our committee on Wednesday and said that under the 50 per cent surtax over \$300,000,000 more was collected than under the old 65 per cent rate. He attributed the increase to the lower surtax and if 50 per cent brought \$300,000,000 increase, it is a tax maximum that ought not to be abandoned at the demand of special interests now urging a 25 per cent rate in the bill before us.

The issue is beclouded and camouflaged by tax-free securities, pleas of tax dodgers for a reduction to help business, and by big business arguments generally, like the invisible government that put through the last revenue bill now lined up solidly behind the Mellon bill. Holes have been pricked in the bubbles so often I will not again attempt the task.

The Mellon bill is popular in New York high financial circles, but as I predicted last session so I predict again that any opponent, Republican or Democrat, with a real tax issue who knows how to use it will have the advantage when the primaries and election are reached in November. Last session we had 169 Republican majority in the House, and I predicted from the reckless surrender to special interests on the tax fight that the majority this session would fall nearly 150 Republican Members. I am not a self-appointed prophet; but if we adopt in the House a surtax maximum below 44 per cent, the Democratic rate, I make another prediction that there will be no necessity for Republicans to divide over the speakership in order to get a liberalization of rules next session, for the combined Republican vote, judging from the past, will not determine the speakership of the next House. [Applause.]

The Washington Post this morning complains because all Republicans are not of the silk-stocking brand of its publisher, to follow blind leadership. Fortunately for 99 per cent of the country, this complaint is true, and politically and morally the country can choose between those who are not frightened by cries of party regularity and those who write \$100,000 checks, only to be torn up with explanations from its publisher that do not explain. [Applause.] This, if properly invested, would purchase several carloads of cotton stockings for the needy of Washington.

The Mellon bill would incidentally save the publisher of the Post many hundreds of thousands of dollars annually in lower taxes; and if left to their own judgment, unaffected by party lash and propaganda, the Mellon bill would not register 50 votes in this House, and the vote in the Senate against it would be equally decisive. [Applause.]

This bill was defeated before it was introduced, and was a political and economic mistake from the beginning, for which its authors alone are responsible.

#### TESTING PARTY REGULARITY BY THE MELLON TAX.

I have voted for every Republican candidate for President for over 30 years, so my Republicanism need not be in issue, but there are many States west of New England and the Hudson River where Republicanism is of a different brand, and while it may be able to swing the majority of the majority in the committee to vote a 25 per cent maximum surtax now there will be another story when a Democratic opponent says out in the State of Minnesota or Iowa that of 111,483 income-tax payers in one of those States, 111,441 will be more benefited by the Garner plan, while only 42, or less than one-tenth of one-tenth of 1 per cent, will be more favored by the Mellon plan. Eleven of my colleagues from Iowa voted with 11 Members from Wisconsin for the 50 per cent tax and against the 32 per cent tax when the bill was passed last session.

That is not necessarily an influence in February, but it is a serious argument to meet in November, and what is true in Iowa, Illinois, Wisconsin, and Minnesota is true in practically every one of the 48 States, including New York, Massachusetts, and Connecticut.

The vote next November, of course, is not a controlling argument; but as an element to be considered I submit the change in House membership reflected at both ends of the Capitol since passage of the last revenue bill. The same issue is offered again to opponents of the Mellon bill now placed before us by the committee.

A distinguished Member of the House, echoed by several other Members, has declared that the equally distinguished Secretary of the Treasury may have some understanding of finances but he has not an ounce of political judgment as evidenced from the tax bill before us. In view of his position last session on the tax and tariff bill and on the soldiers' compensation bill I leave others to prove or disprove the charge.

It is well to remember that then as now a letter was presented from the President urging a reduction of surtaxes to 32 per cent, but 94 Republicans acted on their own judgment and responsibility when voting the rate to 50 per cent, where it now stands. Again, a letter from the President may be sent for our guidance. While interference is resented at the other end of the Avenue, it is not considered improper, because usual, to tell the House what is wanted.

#### THE CONSTITUTION ALONG THE AVENUE.

Mr. Chairman, under the Constitution the House of Representatives is required to originate all revenue bills. Neither the Executive nor the Senate can assume that duty. The House, and the House alone, initiates revenue legislation.

Suggestions have been made in the past and will be made in the future by officials who come before the committee, for its help and guidance, but never before in the history of the country to my knowledge has a Secretary of the Treasury drawn up a bill with rates fixed and then said to Congress, "Take it, and take it quick, or your Republicanism will be challenged." Challenged by whom, and who has been authorized to fix the Mellon bill as the standard for Republicanism?

It is claimed by the partisan press that the Mellon bill is nonpartisan and will be opposed only on political grounds by politicians. Why, bless you, the Mellon bill was moved out of the committee exactly as it was written on the surtax limits by a partisan political majority of Republicans, who would have been overwhelmed if submitted to the whole committee. Three Republican reports with four Republicans, the latter all opposed to the Mellon rates, show clearly that politics and partisanship is found with the bill, but not with its opponents.

For weeks the press has carried accusations that Secretary Mellon, under the Mellon bill, will save upward of a million dollars in taxes annually. Let us suppose it is only \$100,000, which seems to be a popular amount these days. If Mr. Mellon will profit by his bill, and if the Treasury will lose \$100,000, or ten times that amount, by the passage of a bill recommended by the head of the department, what motive will be ascribed to that proposed result?

I will not use harsh words in reply to charges of partisanship or politics, but both charges fit the method of getting the Mellon bill out of the committee and its support as a test of party regularity.

We have been informed that New York business interests were represented at the Treasury Department when the Mellon bill was drawn.

Men of large wealth are concerned in the passage of that bill, 21 of whom, paying \$19,000,000 in 1921, will relieve the Treasury of \$11,000,000 lower taxes under the 25 per cent maximum rate. The invisible government that wrote the bill and that has relieved the House from a useless performance of preparing a revenue bill has also used every agency in the land to put through its bill.

#### A SCIENTIFIC CUT OF 50 PER CENT SURTAXES.

First, the bill was declared to be scientific. How scientific? I have had some years' experience, first as legal adviser on county tax matters, next for several years as State auditor and chairman of the State tax board, and again for several years as a member of the taxing committee that is supposed to perform the constitutional duty imposed on the House. Never have I assumed to be a tax expert, for tax experts, like medical experts and other experts, have their own field of service, not ordinarily working in legislative channels.

But I have met tax experts who say the Mellon plan is no more scientific than the Garner plan, nor in fact than the plan I was bold enough to propose. The Mellon bill is not scientific excepting as it deceives the American Congress by arguments that have been exploded repeatedly and are as often reasserted and again exploded. It is only a scientific tax-lifting vehicle of which the average shop-lifting flivver is a crude imitation and a jail garage greets the latter.

When in court we look with suspicion upon a lawyer who is trying his case on a contingent fee or on a witness who has a strong pecuniary interest in the case and is not depended upon to impress the jury. If a juryman is financially interested in the result, he is excused by the judge the moment that interest appears.

Is there any question in the case of the Mellon bill that under this rule Mr. Mellon is ineligible to act as an advocate or wit-

ness or juror in weighing the merits of his bill? Is there any question that my colleague from New York on the committee in like manner has an interest that should be weighed when he gives his advice to the House? For he appears here, I submit, in the rôle of advocate, witness, and juror of a bill he helped prepare behind closed Treasury doors last fall, and the result of his handiwork is the so-called Mellon bill before us, even to the identical cut in normal tax and 50 per cent cut in surtax rates he helped place on our desks in the bill. I accept his handiwork, but submit his interest on behalf of himself and others is entitled to weight when his bill is under discussion.

I am not charging the Secretary or other officials with any offense, nor do I complain about his wealth, for all of us would be glad to be possessed with more of this world's goods, but I do say that when these conditions are known and this self-interest is beyond dispute, that for the Ways and Means Committee of the House to swallow the Mellon rates, hook, line, and sinker, does not reflect so much on Secretary Mellon as on those who have O. K'd the bill that relieves the Secretary from the heavy taxes he would otherwise pay toward his support of Government.

#### PERSONAL INTEREST AND TAX RATES.

I ask the gentleman from New York [Mr. MILLS], who has been closeted in the preparation of the Mellon bill, and whose active participation in the work he had proudly admitted—I ask him whether or not it is true that Secretary Mellon will receive a tax cut of \$500,000 or \$1,000,000 or \$2,000,000 annually by the passage of the Mellon surtax rates; and if either of these amounts is near correct, I ask does he think the distinguished Secretary should draft or advise in the preparation of a tax bill? And if he thinks so, then I submit his judgment to the House for its consideration.

The Constitution, that places the duty of tax preparation with the House, I submit, has been scrapped and thrown into the wastebasket by the Secretary of the Treasury through the Mellon bill, which has been swallowed practically whole by a majority of the committee and is now before us for acceptance.

I ask the gentleman from New York another question, and if it seems personal I submit that his own connection with the Mellon bill entitles the House to the information. I do not seek to embarrass my colleague nor to be inquisitive excepting as the question may affect the merits of the preparation of the Mellon bill, which he helped to fashion. What interest, I ask, has the gentleman from New York in the rates found in the Mellon bill? Based on his income reported in 1921, I ask what would he, under the rates of the Mellon bill, save providing he returns his full amount of income for taxation purposes, and I believe he is scrupulously careful to perform his duty as he sees it and seeks to comply with the tax laws? I ask whether he feels he is able to sit here as advocate, witness, and juryman, or judge, without being influenced by personal considerations? Whatever his answer may be, I ask you, my colleagues, what you must say under your oaths of office when confronted by a bill, recommended by the Ways and Means Committee, that is reported to have been prepared and supported by especial beneficiaries under its terms to the extent, as currently reported, of many times the salary paid them by the Government.

All this leads us to ask is any gentleman competent to sit in judgment, much less to prepare for our consumption a bill that relieves those best able to pay from taxes now paid by them. I understand that every man who pays income taxes will be relieved under the terms of any of the proposals, but a cut of 50 per cent in higher surtaxes and only 25 per cent in normal taxes under the Mellon bill will help only a limited number, and these are cared for especially in the bill before us.

#### THE TAX BILL AND THE SOLDIERS' BONUS.

I have referred only to the tax bill furnished us for passage. Never in the history of the country, I submit, has Congress been confronted with a similar situation, for in one breath Secretary Mellon declares his bill is before us for passage carrying a 50 per cent tax cut for high surtax payers, in addition to a \$500,000,000 tax reduction principally to these same beneficiaries last year, while in the next he advises Congress that if we pass his bill we must not consider a soldiers' bonus bill, although practically every allied country in the World War has set ours, the richest country in the world, an example by giving deserved gratuities to their soldiers.

When the bill was last passed by Congress Secretary Mellon urged its veto unless a consumption tax to be paid by the soldiers themselves was used to finance the bill. In other words, the Secretary demands, first, the passage of this tax bill, relieving those best able to pay from one-half their taxes; second, he directs us with equal positiveness not to pass any soldiers' compensation bill; and third, he favors a sales tax; if so, that

would ultimately be paid largely by the soldiers and later become substituted for an income tax. Practically every influential paper in the country and its large advertisers are of the same mind. Practically every active friend of the Mellon plan is against the bonus and generally for a sales tax to replace the income tax.

Mr. SHERWOOD. Will the gentleman yield? How much more would be realized by a tax of 50 per cent instead of 44 per cent?

Mr. FREAR. As nearly as can be estimated, about \$20,000,000 or \$30,000,000 has been estimated, but it all depends on the schedules which determine the number of taxpayers in each class.

Mr. MURPHY. Will the gentleman yield?

Mr. FREAR. I will yield when I get through.

Mr. MURPHY. This is just upon that point the gentleman is on.

Mr. FREAR. I can anticipate the gentleman's question. He wants to ask, Will the Mellon bill or the Garner bill or my bill provide a sufficient amount to pay the soldiers' adjusted compensation? No; we are not providing a dollar, and the gentleman knows it; but if you vote to pass my amendments for an excess-profits tax or the inheritance tax and gift tax or the tax on undistributed profits, you will have several hundred millions additional surplus and money for the soldiers' bonus. I am with the gentleman, and he is one of the best advocates of the bonus on the floor.

Mr. MURPHY. Then the gentleman does admit that the present bill as reported will not furnish revenue enough to take care of the soldiers' adjusted compensation?

Mr. FREAR. The Mellon bill will not do it, but we can substitute tax legislation which will do it. The Mellon bill will not.

This is what took place in our committee: When the chairman [Mr. GREEN of Iowa] attempted to reserve a part of the money for the soldiers' bonus the gentleman from New York [Mr. MILLS] led the opposition because he is honestly opposed to it. If he had been in the ditches, if he had been at the front, if he had been fighting there—he was a soldier, I understand—he might speak with better authority and might favor the bonus bill. I have nothing against him. This is simple. I admire him personally, and he is a man of large ability; but I say his action, more than that of any other member of the committee, in my judgment, prevented us from laying aside part of the surplus for a soldiers' bonus bill.

Mr. MURPHY. Is it not about time that some one should ask some one to keep faith with officers of both parties?

Mr. FREAR. My good friend whom I helped to carry off the boat when he was almost dead at Manila is one who always impresses me with his sincerity, and I count on him for support in the particular proposition that I am to make. [Laughter.] We stand together for a soldiers' compensation bill.

#### THE MELLON BILL, BONUS OPPOSITION, AND SALES TAX.

Even my friend from New York, who rendered aid in the preparation of this bill and is its champion here to-day, has introduced a spending tax that in the final analysis is a sales tax eventually asked to be substituted for the income tax, as several of the sales-tax proponents frankly admitted to the committee last session.

Further, my friend from New York [Mr. MILLS] is an outspoken opponent of the soldiers' compensation bill and has led the fight against that bill in the Republican conference. Again, when Chairman GREEN of the committee sought in committee to reserve a portion of the Treasury surplus to apply on a soldiers' compensation bill, it was the gentleman from New York who led the successful effort to prevent any surplus being left, as moved by Chairman GREEN. Every Republican member of the committee is aware of the effort of the chairman to aid the soldiers and the aggressive opposition of the gentleman from New York against them. The tax bill and the bonus bill were linked by the Secretary in the same letter. He asked for one and opposed the other. It is for us to say if a liberal tax cut gratuity of \$100,000,000 will be handed those who are fighting against the same gratuity or a little more to be distributed among 4,000,000 ex-soldiers.

That is the genesis of the bill that has been O. K'd by 11 members of the Ways and Means Committee and is now laid before you for passage. If the fight had not been waged against the rules early in the session so as to permit amendment, the Mellon bill would have been crammed down our throats like the last revenue bill, without any opportunity to change its terms, and we would again have surrendered our legislative prerogatives under the demand for party regularity. Thanks

to those who stood for the right of amendment, the House will express itself on the Mellon bill.

I have no criticism to offer for my colleagues who believe in that kind of legislation. Every Member must decide for himself, but when we are told by Secretary Mellon that the tax bill is a nonpartisan bill, as it should be, and then we have it handed us to accept without change in the committee and to pass through the House as a party measure, I register my protest against the bill and against the high-handed legislative methods employed.

Mr. Chairman, I can not submit without protest to a proceeding that asks us to surrender our legislative functions and severally to act as the legislative tool of the invisible government that endeavors to direct legislation while pleading nonpartisanship. That brand of republicanism which is compelled to follow the leader wherever or into whatever tax field he leads is not the republicanism of Lincoln nor the ideals for which we fight when laying our case before the people. Again I declare in the words of the leaders, repeatedly uttered as to this Mellon bill, that it is political suicide for any party to give it support, and in a spirit of nonpartisanship I would rather by far support and vote for the Garner proposal, because it will give to my people and over 99 per cent of the income-tax payers of the country greater rights and lower taxes than the Mellon bill reported by the committee. This is not a general statement, but is a moderate estimate based on the findings of tax experts rather than the effusions of Mellon tax orators. The proposal advocated by myself is of the same general purpose and effect as the Garner plan. My plan will be placed before you for acceptance or rejection.

#### WHO PREPARED THE MELLON BILL AND WHY?

Who knows anything about the Mellon bill that is before us? Who knows why and by whom the 50 per cent reduction in high surtaxes was inserted in the bill? No one witness was called to testify in the public hearings before the bill was reported. Over 100 witnesses testified regarding nuisance taxes or other provisions, most of whom urged modifications or changes in the bill, but not one witness of the 100 or more told us why the 50 per cent surtax cut was placed in the bill or by whom.

We are told it will save the official whose name it bears many hundreds of thousands of dollars in taxes annually and also many thousands reduction for the gentleman from New York, but who claims this to be a scientific bill and why? Tax experts with whom I have consulted deny the statement and say it is purely a selfish bill which, like the repeal of the excess profits law and reduction of 15 per cent surtax last session with a tax cut of \$500,000,000, now seeks to grant a 50 per cent tax cut to the same interests under the plea that it is scientific and may coax tax dodgers not to dodge.

Let us not be deceived. No man is blamed because he seeks to reduce his tax. That is human nature; but when we learn that the same interests that present this bill have also indorsed a sales tax, have opposed a soldiers' bonus bill, and are special beneficiaries under the bill, it is time to ask who are its authors and who are its beneficiaries. I ask what man among you is benefiting a majority of his constituents or any considerable portion by supporting this bill that comes from the committee precisely as it was framed behind closed doors in the Treasury, so far as relates to the controverted normal and surtax rates?

How many of your constituents are benefited by the Mellon bill, as compared with the Garner bill or the plan I suggested, which was refused consideration by the committee?

If we are here legislating for special interests, for interests that oppose a soldiers' compensation bill, for interests that oppose any income tax as a rule, for interests that support a consumption tax, then I say we should support the Mellon bill recommended by the committee. If we are to favor the vast mass of people, who grub and toil for the necessaries of life and who are the people that sent us here to represent them, and not special interests, then we will not support the Mellon plan.

On one side is selfish greed that fights the soldiers' bonus at the same time it seeks to grab half its present taxes from the Treasury. On the other are those who believe the soldiers should be generously treated and that big business must not get the lion's share of tax reduction, in addition to a half billion dollar tax cut given last session.

#### IMPRESSIVE STATISTICS.

In a statement found in the committee report, page 86, it appears that of 6,650,695 income-tax payers all but 9,433 will receive greater benefits under the Garner bill than under the Mellon bill. But the Garner bill is claimed to be partisan,

although it benefits 499 out of every 500 income-tax payers—more than the Mellon bill. It is not scientific; but under the present surtax rate of 50 per cent Mr. McCoy told the committee that income-tax returns increased \$300,000,000 in one year, while the report, page 85, shows that a 25 per cent Mellon tax reduction will cause a loss of \$200,000,000 annually to the Treasury, largely absorbed by those who received the \$500,000,000 last session. If that is "scientific," then one more such effort, in order to help high surtax payers to wipe out the remainder of their surtaxes, will bankrupt the Treasury.

A 44 per cent maximum rate based on the same schedule would leave a loss of nearly \$50,000,000 compared with the present 50 per cent rate, while a 35 per cent maximum rate would bring a Treasury loss of over \$100,000,000 based on the same schedule.

Those of you who have been asked to support a maximum rate of 35 per cent, I ask, Why should you do so? In addition to a clear gift of \$500,000,000 in tax reduction last year, the 35 per cent would bring an additional tax loss of over \$100,000,000, without adding practically anything to the liquid capital turned into business channels.

No inducement exists for the man to pay 35 per cent in order to place his money in business. That is the cry continually sounded in our ears; so I ask, On what theory can any man make a drop of 60 per cent in surtax rates from 50 per cent to 35 per cent, which benefits no man nor business but is a clean gift to favored interests? But have you ever appreciated the amount of sophistry, or what is called in plain English "bunk," indulged in by those who are anxious to have a tax reduction in order to help secure new money for business purposes?

The CHAIRMAN. The time of the gentleman from Wisconsin has expired.

Mr. HAWLEY. I yield the gentleman five minutes more.

Mr. COLLIER. I yield the gentleman from Wisconsin five minutes.

#### STIMULATING BUSINESS WITH A FEATHER.

Mr. FREAR. These are the facts given by the Treasury expert, Mr. McCoy, to our committee. The total net income in business for 1924, Mr. McCoy estimates, will be \$24,000,000,000. The total amount to be released by a 25 per cent surtax cut is admittedly \$200,000,000. This is less than 1 per cent of the total net income that will be received, so that the significance of this "tax cut to help business," even to 25 per cent, the Mellon rates, is largely "bunkum," and a cut to 35 per cent, or of about \$100,000,000, would not tempt anyone to invest the one-half of 1 per cent of the money to be released to favored taxpayers. If so, the one-half of 1 per cent would probably be invested in the new Japanese loan that is sure to be oversubscribed by interests now demanding a tax reduction to finance local enterprises. Yet this is the argument offered in support of the Mellon bill before us.

I understand that, based on 1921 Treasury receipts, 21 taxpayers who received over \$1,000,000 each in income paid a total of \$19,000,000. Why throw away this tax that under a 50 per cent surtax is levied on those best able to pay and that will lose \$11,364,000 to the Treasury under the Mellon bill from these 21 individuals alone?

From whatever angle the Mellon bill is studied I fail to find anything scientific or worthy of consideration. It does not stand a ghost of a show of passing the House, and I will not give further time to the proposal.

I do wish to present to you a situation that, as legislators, you are entitled carefully to consider.

First. It must be conceded those who prepared the Mellon tax bill had a strong personal pecuniary interest in the 50 per cent tax cut to 25 per cent.

Second. Practically all of those especially benefited by the tax cut are large financial interests that prospered during the war.

Third. Practically every interest behind the Mellon bill is actively fighting to prevent the passage of a soldiers' compensation bill.

Fourth. Nearly every interest behind the Mellon bill is in favor of substituting a sales tax for the present income tax.

With that situation confronting us, I ask in all candor how any man who believes in taxing according to ability to pay and who believes in paying our soldier boys a modest compensation can support the Mellon plan or a 35 per cent plan that is a compromise of principle and not excusable under any argument thus far offered.

It is a rate practically repudiated by the House last session, when we sent back to the Senate our approval of the 50 per cent rate. If the House, with 169 Republican majority, could take that action last session, I now ask why Republicans should be

asked as a test of party regularity to repudiate the action then taken by both the House and the Senate.

Mr. Chairman, I will not surrender my convictions nor change front on the question simply because party leaders now, as then, urge us to do so. The Mellon tax plan is a selfish proposition that ought never to have been presented to Congress and is sure of defeat.

Mr. Chairman, I never lose faith in our form of government. Last summer when I saw the weakened, toppling, debt-burdened countries of Europe struggling to maintain their position among the nations of the world I was thankful that we had the best government of all. Even the rocking of the ship by bribery of public officials, recently exposed, and oil scandals that have shocked the people are not essentially dangerous because at heart the people are right and those who succumb to temptation are few and far between, but a danger that menaces this Government to-day, in my judgment, lies in the power of a few men behind the scenes who seize the reins of government and fashion legislation all unknown to the people. What power compares with that of one man who tells Congress what he wants in taxation, bonus legislation, and other laws; who prepares the bills for passage and then, supported by the most terrific propaganda in all history, seeks to frighten Members by declaring they are outside the party pale unless they support the will of big business?

What power can cope with these great influences, and how shall men in this Chamber be left free to exercise their own judgment on legislation?

I believe nothing is more menacing to our democratic form of government to-day than the secret conspiracy, supported by misleading propaganda, that extracts from the Treasury in one session a half billion dollars in taxes laid against enormous profits of corporations and individuals and that follows it up this session with the Mellon bill, carrying many additional millions to be returned to the pockets of those best able to pay. Teapot Dome and its \$100,000 bribe is serious enough, but a teapot tax that sizzles and boils under the surface will soon boil over, while hands that kindle the fire from behind the curtains will be exposed and their owners brought into the light. [Applause.]

#### PROPOSED AMENDMENTS.

This will be aided by the following amendments to the Mellon bill, some of which I have briefly referred to and hope will be passed:

First. A reduction of normal income tax to 50 per cent.

Second. A retention of surtaxes to the present rate.

Third. Amendment to section 200, directing the Secretary to collect taxes from the income of so-called tax-free securities.

Fourth. Increased inheritance taxes.

Fifth. A gift tax, with rates to 25 per cent.

Sixth. Reenactment of an excess-profits tax.

Seventh. Amendment to tax undistributed profits.

Eighth. Publicity of all tax records and tax proceedings. This last proposal came within two votes of passing the Senate last session. Let us do away with secrecy.

Mr. Chairman, I am not concerned in ascertaining the party that is most responsible for scandals against the Government. I believe that good and bad men are found in both parties, but wealth, power, and big business is bipartisan; it undermines government to-day even as it did in the days of railway control. It strikes at the foundations of government to-day, bolder and more audacious than ever before. It seizes the avenues of publicity through the press that no longer can be trusted, of magazines that spend millions of dollars, in the aggregate, in sending out misleading propaganda and dishonest methods of influencing votes, like the Literary Digest poll on both the Mellon plan and the soldiers' compensation bill. It has the support of chambers of commerce, of business leagues, and other agencies that are manipulated and used for the one common purpose. These are menacing to good government, for they are selfish and unscrupulous. Nero fiddled as Rome was burning, and selfish moneybags are to-day willing to sacrifice party and principle and weaken confidence in and respect for law in order to win any prize to be had in the Government grab bag.

I believe that Members of the House and Senate are called upon to take a firm stand against this propaganda and against this power which confronts us in the campaign for the Mellon bill.

It is to be followed by an equally pernicious, unjustified fight against a soldiers' bonus bill. That occurred last session, and the same forces now forcing the Mellon bill will oppose the bonus. The same forces that patted our soldiers on the back, that demanded they be taken from their jobs and sent to fight, are the same forces that stayed home and profited and now dodge taxes on the wealth they accumulated.

When we removed a half billion dollars of their taxes last year they immediately prepared for the next campaign. We have their plan here—first pass the Mellon bill; then kill the bonus.

Let us, my friends, break the plan and give the people real tax relief that can not be found by the Mellon plan; then pass the bonus bill for the boys who brought victory to the Allies [applause]; and if any political party or political leaders wish to accept responsibility for any other program, let them do so. We have, to my mind, a clear duty to perform, not affected by personal interest or politics. Let us not forget those who served us during the war when considering the bonus or those whom we now represent back home when legislating on taxation.

Mr. BLANTON. Will the gentleman yield?

Mr. FREAR. I will.

Mr. BLANTON. Would the gentleman from Wisconsin have us believe that the chairman of this great Committee on Ways and Means be in favor of conserving the surplus for the adjusted compensation would be sidetracked and put out of the way by the gentleman from New York?

Mr. FREAR. I will leave that to the gentleman from Iowa to answer. We were outvoted in committee.

Mr. GARNER of Texas. Will the gentleman yield?

Mr. FREAR. Yes.

Mr. GARNER of Texas. I call the gentleman's attention to the fact that not only 94 Republican Members voted for 50 per cent, but 19 Republican Members of the Senate, including the Senator from Massachusetts [Mr. LODGE] and 5 members of the Finance Committee, voted for it.

The CHAIRMAN. The time of the gentleman from Wisconsin has again expired.

Mr. COLLIER. I yield to the gentleman five minutes more.

Mr. RANKIN. Will the gentleman yield?

Mr. FREAR. Yes.

Mr. RANKIN. Does the gentleman's substitute for the bill reported by the Ways and Means Committee provide for the publication or recording of the income-tax returns?

Mr. FREAR. Publicity? No; but I am going to offer an amendment to the bill when the opportunity offers, and I trust the House will consider it carefully, because it is a most important question, and came within two votes of passing the Senate last session.

Mr. RANKIN. One more question. The chairman of the Ways and Means Committee stated to us on yesterday that the bill as reported by the committee provided for the reduction of taxes for 1923 to the extent of \$232,000,000. I want to ask whether or not the gentleman is in favor of that provision.

Mr. FREAR. Mr. Chairman, I am in favor of it, but if it is in the way of a soldiers' bonus I would immediately move to strike it out.

Mr. DAVIS of Tennessee. The gentleman read the provision in the Constitution providing that all revenue bills should originate in the House of Representatives, and stated that this bill was drawn outside of the House.

Mr. FREAR. Absolutely.

Mr. DAVIS of Tennessee. I want to ask if it is not also a fact that that bill was prepared even before the present Congress convened?

Mr. FREAR. We were so notified by the press.

Mr. NELSON of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes; to my colleague from Wisconsin.

Mr. NELSON of Wisconsin. The gentleman from Wisconsin [Mr. FREAR] is the representative of the progressives of the House of the Committee on Ways and Means. I want to say that we have considered his propositions from time to time and we are unanimously back of him on his amendments. [Applause.]

Mr. FREAR. I thank the gentleman.

Mr. LITTLE. Did Senator Penrose vote for a 50 per cent surtax in the Sixty-seventh Congress?

Mr. FREAR. I do not remember, and the record is closed so far as Senator Penrose is concerned for reasons which we all understand.

Mr. OLIVER of New York. Mr. Chairman, will the gentleman yield?

Mr. FREAR. Yes; certainly.

Mr. OLIVER of New York. What guaranty is there under the Mellon plan that the money saved to those who pay high surtaxes would be invested in productive enterprises?

Mr. FREAR. None whatever. [Applause.]

#### ADDENDA.

Amendments to be offered to the tax bill apart from the amendment to cut in half the present normal tax rate and to restore the 50 per cent present surtax rate which will be offered as an amendment or substitute for income-tax rates.

#### MISCELLANEOUS AMENDMENTS.

##### TAX-FREE SECURITIES.

That section 200 of the general provisions of the income tax law is hereby amended by providing—

"Subdivision 6. The term 'taxable incomes, from whatever source derived,' shall include net incomes received from State and municipal securities and shall be laid and collected the same as all other taxes."

SEC. 2. This act shall not be held unconstitutional or void by the Supreme Court without the concurrence of at least all but one of the judges and shall remain in full force and effect notwithstanding any decision by any inferior court rendered prior to final determination by the Supreme Court.

##### A PROPOSED EXCESS-PROFITS TAX TO REACH PROFITEERING.

Repeal section 301 and section 302, revenue laws, 1921, approved November 23, 1921, and insert in lieu the following:

"SEC. 301. That in lieu of the tax imposed by Title III of the revenue act of 1918, but in addition to the other taxes imposed by this act, these shall be levied, collected, and paid for the calendar year 1922 and each year thereafter upon the net income of every corporation (except corporations taxable under subdivision (b) of this section) a tax equal to the sum of the following:

[First bracket.]

"Ten per cent of the amount of the net income in excess of the excess-profits credit (determined under section 312) and not in excess of 20 per cent of the invested capital.

[Second bracket.]

"Seventy-five per cent of the amount of the net income in excess of 20 per cent of the invested capital.

"Reenact balance of excess profits tax law."

##### TAX ON UNDISTRIBUTED PROFITS.

Section 230 of the revenue act of 1921 is hereby amended by adding a new subdivision at the end thereof as follows:

"(c) In addition to the taxes herein above provided, there shall be levied, collected, and paid, for each of the taxable years 1919, 1920, 1921, 1922, 1923, and for each year thereafter, on that portion of the net income for any such year of every corporation, not distributed in the form of cash dividends, a tax upon the amount of such net income for such year in excess of the credits provided in section 236, and a further deduction of \$3,000 for such year at the following rates:

"Five per cent of the amount of such excess not exceeding \$20,000;

"Ten per cent of the amount of such excess not exceeding \$100,000;

"Provided, That if any of such undistributed profits are taxed as above provided and the corporation shall have within two years after the payment of such tax distributed in money any of the profits upon which this tax has been paid, then the corporation shall be entitled, in its next income-tax return, to a credit upon its tax so returned to the extent and amount of the tax which it has paid under provisions of this subdivision."

Upon certificate signed by the Secretary of the Treasury, based upon affidavits of two or more reputable officers of any corporation to be attached to the record, stating that undistributed profits held or stock dividends distributed by such corporation were acted upon by the board of directors without purpose, directly or indirectly, to avoid taxation, the Secretary may remit from the tax assessment one-half of the retroactive tax herein provided for any such year included.

##### A BILL TO REQUIRE PUBLICITY OF TAX RECORDS.

Strike out all of section 257 of an act to reduce and equalize taxation, to provide revenue, and for other purposes, approved November 23, 1921, and insert: "That when returns of any person shall be made as provided in this title, the returns, together with any correction thereof which may have been made by the commissioner, they shall be filed in the Treasury Department and shall constitute public records and be open to inspection as such under the same rules and regulations that govern the inspection of other public records."

All tax proceedings and determinations subject to reasonable regulation shall be public, and an advance calendar of all hearings of contested tax rulings shall be open to the public.

##### TAX RATES OF OTHER COUNTRIES.

Mr. FREAR. At my own expense I had an examination of the various tax laws and current comments prepared last spring (1923), and believing the result obtained after many weeks investigation may be of value as affecting the entire tax question, the memoranda is herewith inserted.

It should be checked carefully because errors are sure to creep in where data are secured from newspapers, magazines,

and other sources, but it is offered for what it is worth and will be of value to the tax student as a basis for study.

Great Britain (revenue for 1922-23—estimation for 1923-24).

|  | Receipts in 1923-24. | Estimation for 1923-24 on existing basis of taxation. | Difference. |
|--|----------------------|---|-------------|
| Customs.....   | £123,043             | £118,300  | -£4,743     |
| Excise.....  | 157,275              | 155,700   | -1,575      |
| Total.....   | 280,318              | 274,000   | -6,318      |
| Motor vehicle duties.....  | 12,321               | 13,250  | +929        |
| Estate:  |                      |   |             |
| Duties, etc.....   | 56,871               | 52,000  | -4,871      |
| Stamps.....  | 22,222               | 20,000  | -2,222      |
| Land tax house duty:   |                      |   |             |
| Mineral rights duty.....   | 2,980                | 3,000   | +20         |
| Income tax.....  | 314,836              | 280,000   | -34,836     |
| Super tax.....   | 69,209               | 58,000  | -11,209     |
| Excess profits D, etc.....   | 2,004                | 12,000  | +9,996      |
| Corporation profits tax.....   | 18,977               | 20,000  | +1,023      |
| Total.....   | 482,099              | 445,000   | 37,099      |
| Total receipts from taxes.....   | 774,738              | 732,250   | 42,488      |
| Total receipts from nontax revenues (post office), telegraph, telephone, miscellaneous receipts..... | 139,274              | 120,400   | 18,874      |
| Total revenue.....   | 914,012              | 852,650   | 61,362      |

|   |             |
|---|-------------|
| Estimated decrease in revenue from reduction of income tax and corporation tax per annum (1923-24): |             |
| Income tax reduced from 5s. to 4s. 6d.....  | £26,000,000 |
| Corporation profits 1s. to 6d.....  | 12,500,000  |
| Total decrease.....   | 38,500,000  |

#### ENGLAND.

(The £, par value, \$4.8665; May 10, 1923, \$4.06½.)

#### A.—TAXES ON INCOME.

##### SCHEDULE A.

1. Landlords' property tax. Paid by tenant; deducts it from his rent. On apartment landlord pays directly.

##### SCHEDULE B.

2. On income of farmers (ownership taxed under Schedule A). Based on double amount of rent. Certain deductions on losses. Paid in two semiannual installments.

##### SCHEDULE C.

3. Tax on holders of Government securities. Taxed at the source. Exemptions:  
a. Half-yearly payment of less than 50 shillings (\$12.50).  
b. Interest on securities of bank subscriptions to war loans (taxed under Schedule D).  
c. Interest on securities under war loan (Schedule D, case 3).

##### SCHEDULE D.

4. Tax on business profits, professional incomes, and all other sources of income.

Case I. Businesses, manufacturers, etc. Corporate bodies, etc., not included elsewhere. Deductions: Bad debts, repairs, etc. At discretion of commissioners may be assessed at two-thirds amount of rental. Included is income from investment of domestic life-insurance funds.

Case II. Professions, employments not in any other schedule. Basis average income for three trade years preceding assessment; assessed for quarter and not for year.

Case III. Income of uncertain annual value not in Schedule A. Minimum taxable income that arising from same source preceding year.

Case IV. Income from foreign and colonial securities. Exemption: Interest under Schedule C. Basis assessment, income from same source preceding year.

Case V. Income (stocks, shares, rents, etc.) from foreign colonial possessions. Basis of assessment, average of three preceding trade years.

Case VI. Any other annual income.

##### SCHEDULE E.

Tax on salaries of public officials. Includes ecclesiastical persons. Rate 1, normal tax, 4s. 6d. in the £, or 22½ per cent. (Wall Street Journal, January 30, 1923.)

2. Supertax, incomes over £2,000, 4.9 to 22 per cent. Begins at \$10,000. Income taxes contributed 36.1 per cent of net revenue, 1921-22. (Commercial and Financial Chronicle, April 16, 1923.)

#### THE TAXATION OF CORPORATIONS.

(Sellman, Essays in Taxation, pp. 260-261.)

In England all corporations are held to be "persons" within Schedule D of the income tax, and consequently they pay a tax on their net annual profits or gains. The tax, moreover, is paid before the dividends are declared. Railroads are also subject to the special passenger duty of 5 per cent on receipts from passengers and to a corporation duty which is intended to take the place of the "death duties" on individuals. Even in the matter of local taxation or rates the railways are taxed on what amounts roughly to net receipts. In theory the real estate of railways, like that of individuals, is rated on the basis of rental value—i. e., in the case of railways the property is locally taxable on the basis of what a hypothetical tenant would give for it if renting it. In practice the gross receipts are taken and certain rough deductions permitted.

#### B. TAXES ON PROPERTY.

##### 1. Corporation profits tax:

a. New rate 6d. in the pound, or 2½ per cent, just half of old rate. (The Statist, April 21, 1923.) The amount of tax payable must not exceed 10 per cent of the balance after interest and dividends, etc., are paid out of the capital are deducted. (Excess profits and corporation tax, J. Gault, pp. 118-119.) Exemption of £500. (Commerce Reports, April 4, 1921, p. 59.)

##### 2. Inheritance tax:

a. Legacy and succession duties are progressive according to the remoteness of the relationship of the inheritor to the deceased, about 10 per cent.

b. Estate duty, assessed on a progressive scale on the total value of the property passing at death, regardless of its distribution, may be as high as 40 per cent. Total of possible, 50 per cent. (Essays on taxation, Sellman, p. 140.)

#### FRANCE.

(Franc, par value, \$0.193; May 10, 1923, \$0.0658½.)

(These rates are reported now to be increased 20 per cent.)

#### A. TAXES ON INCOME.

##### I. GENERAL INCOME TAX ON INDIVIDUAL.

a. Exemption of 6,000 francs.  
b. Tax, 50 per cent assessed on one twenty-fifth of the difference between 6,000 to 20,000 francs, three twenty-fifths from 30,000 to 40,000 francs, and increasing one twenty-fifth on each fraction of 10,000 francs up to 100,000 francs. Then on each 25,000 francs between 100,000 and 400,000 and 500,000 francs. In excess of this full rate applicable. (Commerce Reports, January 30, 1922, pp. 276-277.)

c. Rate, 50 per cent. Extra increase of 25 per cent for bachelors and spinsters over 30 years and 10 per cent for married couples childless over 30 years. Reduction of 7½ per cent for first two dependents and 15 per cent for from three upward.

##### II. SCHEDULED INCOME TAXES.

(Taxation of incomes, etc., in certain foreign countries. Legislative Reference Division, 1921.)

a. Taxation of agricultural profits. 1. Exemption of 1,500 francs. Abatement of one-half on portion between 1,500 and 4,000 francs. 2. Rate, 8 per cent.

b. Salaries, wages, pensions, etc. 1. Salaries on 6,000 to 7,000 francs and over, depending on size of commune. 2. Annuities, 2,000 francs exempt. 3. Pensions, 3,600 francs exempt. 4. Rate, 6 per cent.

c. Taxation, professional incomes. 1. On 6,000 to 7,000 francs and over, depending on commune. 2. Rate, 6 per cent.

d. Taxation, industrial profits. 1. Taxed on net income. Amount less than 1,500 counted as one-fourth; between 1,500 and 4,000, as one-half; the excess of the whole. 2. Rate, 8 per cent. 3. May omit from net profits those profits which have borne the 10 per cent dividend tax.

e. Tax on interest, dividends, etc. 1. Due at time of payment. 2. Rate, 10 per cent.

f. Tax on income from improved and unimproved real estate. 1. Rate, 10 per cent. 2. However, where the annual income is lower than that of 1913, not more than 10,000 francs, rate is 5 per cent for next five years.

##### III. REVENUE FROM THE INCOME TAX, 1922.

Francs, 2,633,166,000, which is 788,000,000 francs above the official estimate.

NOTE.—Income tax of previous year can be deducted from income in making returns for current year.

(Taxes on property and property transactions.)

#### B. TAXES ON PROPERTY.

##### I. TAX ON CORPORATE PROPERTY.

Mortmain tax, 13 per cent of next revenue—a. Six francs per million of capital of corporation plus. b. Twelve francs per million of capital insured plus. c. Tax on annual premiums of 11 per cent.

**II. BUSINESS TAX (PATENTE).**

- a. Fixed rate for each trade. A banker pays 2,000 francs plus 50 francs for each employee.
- b. Proportion of annual rent paid according to trade. Banker pays one-tenth the annual rental of premises.
- c. More exceptions than rules. Cumbersome, but good revenue producer.

**III. INHERITANCE TAX.**

(International finance and its reorganization. Elisha M. Friedman, p. 120.)

- a. Estate tax ranges from one-fourth of 1 per cent to 3 per cent on estates of 2,000 francs or less up to 7½ to 39 per cent on fraction exceeding 500,000 francs.
- b. Inheritance tax, 1 per cent to 59 per cent, depending on amount of inheritance and degree of relationship.
- c. The combined two taxes must not exceed 8 per cent of the value of the property.

**C. ON PROPERTY TRANSACTIONS.**

(Commerce Reports, January 30, 1922, p. 279.)

**I. REGISTRATION DUTIES.**

- a. Fixed tax, usually 6 francs.
- b. Proportional tax. 1. Leases, 60 per cent of annual rent. 2. Transfer of debts, 1.25 per cent. 3. Formation of partnerships or corporations, 1 per cent of the capital. 4. Good will of business, 5 per cent. 5. Real estate transfer, 10 per cent. 6. Patent, 5 per cent. 7. Fire insurance.

**II. STAMP DUTIES.**

- a. Checks, 10 centimes in same town; 20 in outside town.
- b. Commercial bills of exchange 5 to 10 centimes per 100 francs.
- c. Bonds, stock-exchange transactions, etc., bear varying rate.

*French receipts from taxation, 1922.*

(Bradstreet's, February 24, 1923, p. 145. Reported by Bankers Trust Co.)

(In million francs.)

|                                | Yield in 1922. | Compared with budget estimate. | Compared with 1921 yield. |
|--------------------------------|----------------|--------------------------------|---------------------------|
| (1) Indirect taxation:         |                |                                |                           |
| Registration fees.....         | 2,960          | 8                              | 255                       |
| Stamp tax.....                 | 615            | 88                             | 52                        |
| Stock-exchange operations..... | 26             | 8                              | 7                         |
| Tax on securities.....         | 1,018          | 280                            | 91                        |
| Luxury tax.....                | 20             | 7                              | 7                         |
| Tax on business turnover.....  | 2,280          | 765                            | 383                       |
| Customers.....                 | 1,611          | 851                            | 418                       |
| Doors, windows, etc.....       | 2,607          | 97                             | 202                       |
| Colonial products.....         | 183            | 33                             | 6                         |
| Salt.....                      | 38             | 2                              | 4                         |
| Sugar and saccharine.....      | 564            | 35                             | 212                       |
| Oil and petrol.....            | 235            | 136                            | 68                        |
| Benzol.....                    | 12             | 6                              | 6                         |
| (2) Government monopolies:     |                |                                |                           |
| Matches.....                   | 112            | 1                              | 10                        |
| Tax on automatic lighters..... | 1              |                                |                           |
| Tobacco.....                   | 1,611          | 8                              | 56                        |
| Gunpowder.....                 | 53             | 12                             | 7                         |
| Post office.....               | 709            | 25                             | 39                        |
| Telegraphs.....                | 187            | 8                              | 12                        |
| Telephones.....                | 241            | 72                             | 26                        |
| Miscellaneous enterprises..... | 6              | 1                              | 1                         |
| Total.....                     | 15,087         | 857                            | 1,854                     |

**FRENCH RECEIPTS FROM TAXATION, 1922.**

Apart from indirect taxation, direct taxation was assessed in France amounting in 1922 to 2,587,678,600 francs; 45,487,300 francs were also assessed for Alsace and Lorraine. Out of the above total of 2,587,678,600 francs the assessment for 1922 separately was 2,075,024,200 francs, levied as follows:

|  | Francs.     |
|--|-------------|
| Commercial and industrial profits..... | 748,879,200 |
| Agricultural profits.....              | 16,904,200  |
| Salaries.....                          | 273,358,500 |
| Revenue from liberal professions.....  | 41,766,200  |
| General income tax.....                | 993,923,200 |
| Amortization charges.....              | 192,900     |

The remaining 519,654,400 francs represent amounts levied but still outstanding for previous years.

*French general budget for 1922 in round figures.*

(Wall Street Journal, February 17, 1923, page 4.) Francs.

|                                |                |
|--------------------------------|----------------|
| Indirect taxation.....         | 13,250,000,000 |
| Direct taxation.....           | 2,500,000,000  |
| Monopolies.....                | 3,000,000,000  |
| Various receipts.....          | 1,000,000,000  |
| War-profits tax.....           | 3,000,000,000  |
| Liquidation of war stocks..... | 500,000,000    |
| Loans.....                     | 1,300,000,000  |
| Total.....                     | 24,550,000,000 |

The customs and sales tax brought in 1,600,000,000 less than they were counted on for. Sales tax is at rate of 1.10 per cent. The income tax brought in over 2,500,000,000 francs and 788,000,000 more than were estimated.

The scheme to increase by 20 per cent the rates of actual taxation has been rejected by the finance committee and several new proposals suggested.

One of these is the "Carnet de coupons," which would enable the revenue authorities to obtain accurate information as to the source of income, notably those derived from securities. This proposal, which is strongly opposed by the finance minister, would, if adopted, yield about 700,000,000 francs.

**INTERNATIONAL FINANCE AND ITS REORGANIZATION.**

(By Elisha M. Friedman.)

**FISCAL POLICY OF FRANCE DURING THE WAR.**

France raised a smaller part of her war expenditures by taxes than any other belligerent. The tax policy was weak, one sided, and unproductive.

1. The inflation of credit caused a rise in prices which constituted a steep and ungraduated income tax on rich and poor. France resorted to inflation to avoid further taxation (p. 123).

2. This was aggravated by consumption taxes increasing cost of living.

3. The sales tax is unreliable, as its yield declines as prices fall.

4. France's tax policy was unsound and politically undemocratic (p. 126).

5. Probably the most serious mistake from the point of view of after-war taxation and the balancing of the Budget was the exemption from taxation of income from war loans. Thus the burden of interest payable by the State was increased.

**GERMANY.**

(Mark, par value, \$0.2382; May 10, 1923, 37.937 to dollar.)

**TAXES ON PROPERTY AND INCOME.**

(The New Tax System of Germany, J. Jastrow, Quarterly Journal of Economics, February, 1923, pp. 302-328.)

**A. ON INCOMES.**

1. Progressive tax from 10 to 60 per cent exceeding 3,000,000 marks. Instead of following the English play of levying the tax on those portions of the income which exceed the margins of subsistence, they levy it on the full amount of the wage and then reduce the tax. (Rebates come on the tax, not on the income.) States forbidden to levy additional income taxes, but receive their quota from the national taxes.

**2. Tax on juristic entities:**

a. Industrial companies pay 35 per cent (20 per cent of the portions not distributed to shareholders). Deduction of certain operating expenses.

b. Institutions, charitable foundations, etc., pay 10 per cent.

3. Income tax for 1922 yielded 532,340,556,000 marks. (The Economist, April 28, 1923, p. 892.) Sales tax, 215,867,063,000 marks.

**B. ON PROPERTY.**

**1. Principal sources:**

a. Property (capital levy): 1. Rate for natural persons graduated from 1 to 10 per cent. 2. For corporate bodies, 1½ per cent. Certain additional taxes for the first 15 years which double or treble the amount. 3. Exemption of 400,000 marks.

b. Inheritances: 1. Taxed according to relationship. Five classes, with rates 3 to 14 per cent; each class of 100,000 marks or over have additional lines in percentage of the tax; for 100,000 marks, 10 per cent of the tax up to 500 per cent on 5,000,000 marks (original tax multiplied six times). 2. If the heir owns more than 2,000,000 marks, an additional surtax must not exceed half the amount exceeding 2,000,000 marks). 3. Gift tax with eye to invasion of inheritance tax developed to position of equality with it.

c. Tax on income from capital: Fifteen per cent on interest, dividends, etc. Tax must be paid before interest is paid. An advance levy.

**2. Secondary sources:**

a. Property increments: 1. Tax determines value of property triennially. 2. Rates, 1 per cent on 100,000 to 200,000 marks; 2 per cent on next 200,000 marks to 10 per cent on increments over 6,000,000 marks. 3. Exemption where property is not over 200,000 marks.

b. Forced loan: 1. Noninterest bearing first three years to 1925; next year 4 per cent, and after that 5 per cent. Exemption, 100,000 marks. On next 100,000, 1 to 10 per cent exceeding 1,000,000 marks; corporate bodies pay one-half; certain exemptions.

**C. ON PROPERTY TRANSACTIONS.**

1. Corporations: In floating joint-stock companies for industrial purposes an "association tax" amounting to 7½ per cent, levied on the initial capital subscribed by the shareholders.

2. Securities: Issue of bonds bearing a fixed rate of interest or the first transfer of foreign shares subject to a "securities tax." Occasionally one-half or 2 per cent. Generally 4 per cent, and on foreign shares 7½ per cent. Government bonds exempt from this tax.



3. Sales on the exchanges: Tax on exchange transactions—
  - a. On commodities (grain, etc.), two-fifths per cent.
  - b. Shares for professional dealers, one-tenth per cent.
  - c. Where one party is private customer, three-fifths per cent; when both are, 1½ per cent.
4. Percentages: A special income tax on the percentages of the boards of directors of joint-stock companies, 20 per cent of the percentage.
5. Stamp taxes on—
  - a. Purchases of land.
  - b. Drafts.
6. Reichsbank: Commonwealth regulates its quota of returns by special enactment.

## ITALY.

(Lira, par value, \$0.193; May 10, 1923, \$0.0478½.)

## TAXES ON INCOME.

- A. Income derived from capital assessed at 18 per cent.
  - B. Income derived jointly from capital and labor, 15 per cent.
  - C. Incomes from labor only, 12 per cent, levied on all wages over 10 lire a day.
  - D. Salaries (civil, educational, etc.), 9 per cent.
- Exemption, 2,000 lire a year except when derived exclusively from capital.

Business concerns whose income is derived from capital invested in industrial concerns are taxed as income derived jointly from capital and labor (15 per cent).

Joint-stock company, taxable income based on amounts actually assigned to and distributed among shareholders, directors, etc. Payable on all sums distributed and on all assignments of profits, increase in the nominal value of shares, or free distribution of new shares.

## SUPERTAX.

Levied on total income exceeding 4,000 lire per annum, after usual family deductions, etc., not less than 2,000 lire taxable.

Rates, 1 per cent on 2,000 lire to 25 per cent on 1,500,000 lire.

1. For the year 1922 the income tax yielded over 6,000,000,000 lire. (Economic World, November 4, 1922, p. 66.)

2. (a) The income tax on farm profits is now shared on profit-sharing basis by the tenant and landowner. (b) Limited to 10 per cent and exempted from supplementary taxes. (Economic Review, January 12, 1923, p. 27.)

3. New proposal to levy a single income tax to take the place of Federal, provincial, and commercial taxes. A certain per cent to be allotted Provinces and communes. (Economic World, Saturday, April 21, 1922.)

## PROPERTY AND CORPORATION TAXES.

1. Tax on buildings varies progressively from 20.72 to 27.75 per cent on the amount of rent determined exceeding 1,000 lire annually. (Commerce Reports, September 4, 1922, p. 78.)

2. Tax on land varies from 11.89 to 19.15 per cent on the assumed rent exceeding 5,000 lire annually. (Commerce Reports, September 4, 1922, p. 78.)

3. Inheritance taxes (the Economic Review, October 6, 1922, p. 211):

- a. Rates 1.80 per cent on an inheritance of 1,000 lire to lineal and descendants up to 90 per cent on an inheritance of 20,000,000 lire going to distant relative or strangers.
- b. Further registration charge where rights of lands are concerned, 0.75 per cent.
- c. If legatee is not a lineal ancestry descendant, husband, or wife, he must pay an increment of 6, 9.6, or 12 per cent where his share of the legacy exceeds 200,000, 400,000, or 600,000 lire, respectively.
- d. Two per cent additional duty on jewelry; 5 per cent additional duty on furniture.

Corporations pay a negotiation tax on par value of stock at the rate of 0.42 per cent or 4.2 per thousand for bearer securities and 0.24 per cent on stock registered in name of owner; partnerships pay 0.24 per cent of capital invested. (Commerce Reports, September 4, 1922, p. 78.)

Corporations pay a tax varying progressively from 5 to 20 per cent on bonuses which they distribute to their director, managers, etc. May amount to 25 per cent where the bonus exceeds 40,000 lire. (Commerce Reports, September 4, 1922, p. 78.)

A special tax of 15 per cent is imposed on dividends or interest from corporation securities made out to bearer. (Commerce Reports, September 4, 1922, p. 78.)

Corporations also pay certain "commune" or small local taxes. (Commerce Reports, September 4, 1922, p. 78.)

## RUSSIA.

## INCOME AND PROPERTY TAXES.

(Soviet Government Tax Reforms, Alazoda Comstock Barrons, May 7, 1923, p. 12.)

1. Those taxable "town citizens" and associations whose incomes are derived from:

- a. Trade, industry, credit societies, the professions, other specified occupations.

- b. Ownership or leasing of urban property.
  - c. Money capital, interest, and dividend-bearing scrip.
  - d. Specified professions.
  - e. Salaries above the scale fixed by special regulation.
2. No exemption for dependents.
  3. Devised to operate under a depreciating currency.
  4. Progressive scale resembling American surtax except that rates are in "tax units" instead of percentages. The number of units is multiplied by the number of rubles fixed as the unit for any given half year. In 1922 first half-year unit was 1,000 rubles.

| Class of income. | Half-yearly income.              | Number of tax units. |
|------------------|----------------------------------|----------------------|
| 1                | Up to 120,000.....               | 1,000                |
| 2                | From 120,000 to 240,000.....     | 1½                   |
| 13               | From 1,750,000 to 2,000,000..... | 240                  |
| 14               | Above 2,000,000.....             | 300                  |

(Soviet Government Tax Reforms, Alazoda Comstock Barrons, May 1, 1923, p. 12.)

Thirty units for each 200,000 rubles above 2,000,000. Income of 2,000,000 pays 300,000 or 15 per cent. Nontaxable income graded according to size of city. For Moscow, first half year, 120,000 rubles.

## PROPERTY TAX.

Under the new civil code, buildings, tools, machinery, currency, securities, household and personal goods may be privately owned.

1. Above-mentioned goods taxable.
2. Exemption, property used to carry on business.
3. Rate: For the first half year the tax unit is 500 rubles (1922 issue). A person who has 10,000,000 rubles (1922 issue) pays 300 units or 150,000 rubles or 1½ per cent.

Income from these taxes uncertain, but seems to be improving. In November, 1922, they comprised 20.6 of the revenue.

## THE FOOD TAX.

1. The food tax is paid by the peasants.
2. The unit is 1 pood (36 pounds rye grain). Payment can be in other agricultural products in proportion to value.
3. Amount of tax determined by—
  - a. Number of members of family.
  - b. Amount of land cultivated.
  - c. Livestock maintained.
  - d. Quality of the harvest.
4. Revenue in 1921–22 translated into gold rubles amounted to almost as much as all other sources of revenue combined.

## INDIRECT TAXATION.

1. Imposed on the theory that the Russian population has been to a large degree reduced economically to a common level.
2. Sokolnikor, of the commissary of finance, said, "Indirect taxation does not bear the antidemocratic character which it does in capitalistic countries where sharp inequalities exist. (Soviet Government Tax Reforms, Alazoda Comstock Barrons, May 7, 1923, p. 12.)
3. Very difficult of collection. Only 6,000,000 rubles for the current year, a negligible fraction of the estimated amount.

Mr. FREAR. Since the above was written I have visited Russia and discussed finances with the Commissar of Finance and other officials. The Russian tax system has been much simplified, and even the sales tax of 3 per cent that had been cut one-half will be abandoned next year.

This tax, abandoned by distressed, tax-burdened Russia, is persistently urged by big business interests in this country.

## BELGIUM.

(The franc, par value, \$0.193; May 10, 1923, \$0.0570.)

## TAXES ON INCOME.

(Commerce Reports, November 8, 1920, pp. 636–638.)

1. Real estate:
  - a. Levied on assessed value.
  - b. Rate, 10 per cent. Also on personal property, except when profits are realized and taxed abroad, when it is 2 per cent.
  - c. Exemption: Unproductive tracts, national demands, etc.
  - d. Payable by proprietor, but in spite of intent of law is collected from tenant.
  - e. One-tenth of tax assigned to province; four-tenths to commune where property is. (Journal of Commerce, March 16, 1922, p. 10.)
2. Income from capital:
  - a. Dividends, interest, and all returns from invested capital, including State provincial obligations, etc. (unless exempted by special enactment), stock dividends, apportionment of capital through liquidation, etc., and interest on bank deposits.
  - b. Stock companies, banks, etc., authorized to collect tax at source.
  - c. Rate, 10 per cent, to be raised to 15 per cent on domestic securities. (Wall Street Journal, March 7, 1923, p. 13.)

d. One-half the tax is assigned equally to Province and commune where earned.

3. Professional tax: Income derived from industrial, commercial, agricultural enterprises, salaries of public and private employees.

a. Rate: Graduated from 20 per cent on income of 3,000 francs to 10 per cent on any amount over 48,000 francs.

b. Exemption: Widows and heads of families less than 3,000 francs.

c. Deduction of certain business expenses.

d. One-half professional tax assigned equally to Province and communes where earned.

**SURTAXES.**

(Journal of Commerce, March 16, 1922, p. 10.)

1. Applied by fractions of 5,000 francs.

2. Starts with one-half of 1 per cent for each fraction comprised in total incomes amounting to 20,000 francs or less, progressively up to 30 per cent on 165,000 francs.

As a result, a Belgian who has an income of 165,000 francs pays a total direct income tax of 40 per cent.

**AUSTRIA.**

(Review of the Foreign Press, March 23, 1923, p. 253.)

**INCOME AND PROPERTY TAXES.**

1. Income tax:

a. Rate maximum: Sixty per cent of income; a shareholder's income paid by the company and by the individual.

b. Percentage duty, 40 per cent, payable on remuneration of directors and managers, although profits tax has already been paid on it.

c. Profits from industrial undertakings, 48 to 70 per cent in all.

d. Joint-stock companies: Special profits tax, 70 per cent; income tax on dividends reduced by this amount, 40 to 50 per cent; in all, 80 to 85 per cent.

2. Special profits tax:

a. All joint-stock companies.

b. All private firms with restricted liability.

c. Rate, about 50 per cent of net profits plus additional charges, dues, etc., brings it to 67 per cent.

3. General profits tax:

All private firms.

Rate must not exceed 5 per cent net profits.

Heavy local taxes in addition.

**INDIRECT TAXES.**

5. Turnover tax: At present 1 per cent; to be raised next year to 2 per cent.

6. Exchange tax: Rate, 4 per cent.

7. Banking turnover tax: Rate, one-fourth per cent on every transaction.

**GREECE.**

**NEW GREEK TAX ON PROFITS.**

(Commerce Reports, May 14, 1923, pp. 449, 450.)

Date of law: a. August 3, 1922, for domestic corporations; b. January 21, 1923, applied it to foreign corporations.

The law and amendment apply to profits made since the beginning of 1921, and, as retroactive laws are unconstitutional in Greece, there is much opposition from various sources. The law, however, is in force.

Exemptions: a. In the case of incorporated banks, 6 per cent; b. in the case of other incorporated enterprises, 10 per cent.

Example: Bank with working fund of 6,000,000 drachmas has profits for year 1922 of 1,800,000 drachmas.

First amount exempted is deducted, which is at 6 per cent on working fund or 360,000 drachmas, leaving taxable balance of 1,440,000 drachmas.

1. Amount corresponding to 4 per cent of working fund, i. e., 240,000, to be taxed according to the scale at the rate of 20 per cent, viz. 48,000 drachmas tax.

2. Amount corresponding to 10 per cent of working fund, i. e., 600,000 drachmas, to be taxed at 25 per cent, viz. 150,000 drachmas.

3. Amount corresponding to 10 per cent working fund, i. e., 600,000 drachmas, to be taxed at 30 per cent, viz. 180,000 drachmas.

Consequently the bank on its profits of 1,800,000 drachmas will pay a tax of 378,000 drachmas.

| Banks.                      |                  | Other incorporations.       |                  |
|-----------------------------|------------------|-----------------------------|------------------|
| Taxable portion of profits. | Per cent of tax. | Taxable portion of profits. | Per cent of tax. |
| 6 to 10 per cent.....       | 20               | 10 to 15 per cent.....      | 10               |
| 10 to 20 per cent.....      | 25               | 15 to 20 per cent.....      | 12.5             |
| 20 to 40 per cent.....      | 30               | 20 to 30 per cent.....      | 15               |
| 40 to 50 per cent.....      | 35               | 30 to 40 per cent.....      | 20               |
| 50 to 100 per cent.....     | 40               | 40 to 50 per cent.....      | 25               |
| 100 per cent and above..... | 50               | 50 per cent and above.....  | 30               |

Rate of tax varies according to the type of company; that is, banking commercial, industrial, or other.

The law has adopted a system of ascending scale of increase of taxation and the balance of profit to be taxed, after deductions, must be divided into portions, each of which will be charged with the equivalent rate of tax, and will not be taxed in total by the rate mentioned in the scale.

**NEW GREEK TAX ON PROFITS.**

The above scale will enter into force from the taxation period of the year 1922 and on. Regarding profits of the year 1921, the tax will be calculated according to a special commandment of the law at a fixed rate of 50 per cent without any gradation.

From the above it is evident that after a company has deducted from its profits an amount of 6 per cent per annum on the working fund during the year 1921 it must pay half of it to the public treasury. For 1921, however, the law makes an exception granting the right to taxable companies to pay the tax in 10 equal yearly installments, and in addition exempts them from the 10 per cent overtax in favor of the forced loan, which from 1922 and on will be applied in addition to the above tax.

**SALES TAX.**

Germany, 2 per cent (may represent a tax of 10 per cent, and may be greater).

Austria, 1 per cent, to be raised next year to 2 per cent.

France, 1.10 per cent.

Canada, 6 per cent at source, August 1, 1923.

Belgium, 1 per cent.

England has no sales tax and Italy none except on luxuries.

**COMMENTS OF NEW SALES TAX IN CANADA.**

(Manitoba Free Press, Winnipeg, May 14, 1923, p. 9.)

**CLAIM NEW SALES TAX WILL INCREASE PRICES.**

Toronto business men concede the alteration of the method of levying the sales tax is the outstanding feature of the finance minister's budget. There is not complete unanimity as to whether the cost of goods will be increased or not. The general view, however, is that the new sales tax of 6 per cent at the source—manufacture or importation—will increase the cost of goods to the consumer.

(The Globe, Toronto, May 14, 1923, p. 11.)

E. M. Trowern, Dominion secretary of the Retail Merchants Association, is in favor of the change in tax. He says that the cost of collecting the old tax was five times the revenue raised. A retail merchant had to pay \$100 in order to keep track of \$20 worth of taxes and the Government was put to great expense sending men to small manufacturers to check their books.

**CAPITAL LEVY.**

**AUSTRIA.**

Act passed July 21, 1920. (Economic Review, August 27, 1920, p. 368.)

1. Payment: a. To be made in three installments per annum provided that not more than 40 per cent of tax is immovable. b. If capital is for the most part immovable 20 per cent of the levy must be paid in three years.

2. Time limit for the payment of all installments is 20 years. a. Five per cent interest to be paid on that part of the levy not paid at once.

b. Special privileges for those who choose to pay in 5, 10, or 15 years.

3. Rate of taxation: 3 per cent on first 30,000 taxable kronen to 65 per cent on 10,000,000 kronen or over.

4. Exemptions: a. 30,000 kronen exemption for single man; 60,000 kronen exemption for married man; 80,000 kronen exemption for man in case wife is unable to earn her own living or over 60 years old. b. Certain exemptions for children and aged.

5. For year ending 1921 it yielded about one billion and a half kronen. (Am. Rev. of Reviews, April, 1923, p. 400-403.)

**GERMANY.**

On December 31, 1919, a national levy was enacted by the German National Assembly.

1. Rates of the levy run from 10 per cent on the first 50,000 marks of taxable capital to 65 on taxable capital of more than 2,000,000 marks. (Reichs-Gesetzblatt, 1919, No. 252, sec. 24.)

2. Exemptions: a. Small properties up to 5,000 marks. b. Married couple—5,000 marks deducted. c. Religious, educational, charitable institutions, etc.

3. Method of payment: a. Paid in one sum. b. Installments.

(1) Annual payment of 6 1/2 per cent of the levy; 5 per cent interest on amount owned. a. Can be paid in one, two, or four annual payments.

4. Result: Germany's tax proportionately more productive than Italy's. (Am. Rev. of Reviews, April, 1923, p. 403.)

a. During fiscal year 1921-22 it furnished 6.2 per cent of total revenue.

b. Estimated yield in 1922-23, 7.6 per cent.

NOTE.—The installment idea by which the levy could be spread over 25 years transposed the original idea into that of a current property tax. Leading financiers vigorously opposed the immediate collection of the levy. (Economic Review, Dec. 3, 1920, p. 72.)

## ITALY.

(The lira, par value.)

Late in 1919 a capital levy act was passed by Nitti's government. In April 22, 1920, it was somewhat modified. (*Gazetta Ufficiale*, May 1, 1920, pp. 1-313.)

General provisions. (*Am. Review*, A. Comstock, pp. 402, 403, April, 1923):

1. Payment can be spread over 20 years (so that it can be paid out of income). Can be paid in 10 years where property is three-fifths personal.
2. Exemption of 50,000 liras.
3. Rates from 4.5 per cent on property exceeding 50,000 lire to 50 per cent on property of 100,000,000 lire or more.
4. Date of valuation, January 1, 1920.
5. Accompanied by a heavy tax on increments of capital gained during the war.
6. Has remained in force three years.
7. Yield for fiscal year 1923, 3.8 per cent of total revenue. For the preceding year, 4.4 per cent.
8. Considerably over half the tax paid by owner of securities and personal properties. Small proportion of agricultural people pay the tax.
9. Number of people subject to the tax about 1 per cent of the population. (*United States Commerce Reports*, November, 1920, p. 830.)

## GREECE.

(The drachma, par value, \$0.193; May 10, 1923, \$0.0145.)

Law approved to take effect April 1, 1923.

1. Nontaxable minimum of 500,000 drachmas.
  2. Levied at progressive rate, 2 per cent to 20 per cent, on fortunes larger than 25,000,000 drachmas.
  3. Expected revenue (Minister of Finance), two thousand million drachmas.
  4. Capital of limited liability companies taxed at a flat rate of 6 per cent, shareholders deducting from their property the value of their shares.
  5. Tax is payable in 10 half-yearly installments.
  6. Interest at 4 per cent charged for the second and remaining installments from the expiration of the period at which the declaration of the taxable property must be made up to the end of the month at which each installment falls due.
  7. Discount of 20 per cent is allowed for immediate payment of the whole tax. (*The Economist*, March 24, 1923.)
  8. The American equivalent of the exemption is about \$5,000, and the maximum rate is imposed on more than \$250,000. (*The Commercial Financial Chronicle*, April 7, 1923.)
- However, it must be kept in mind that the exchange rate is no indication of the local purchasing power, which is much greater than when converted into United States money.

## CZECHOSLOVAKIA.

(Krone at par, \$0.2026; May 10, 1923, \$0.0297.)

April 1, 1920, the national assembly passed a law levying a tax on individuals who on March 1, 1919, owned property valued at more than 10,000 kronen. (*United States Commerce Reports*, April 23, 1920, p. 460.)

## TWO TAXES.

1. Levy on capital. a. Rate, 1 per cent on 25,000 kronen graduated progressively up to 30 per cent on 10,000,000 kronen. b. Proceeds not to be used for current expenses but to be devoted to support of the currency and reduction of the debt. (*Board of Trade Journal*, September 23, 1920, p. 379.) c. All persons, including foreigners residing in this country for a year or more, subject to tax. d. Only 15 per cent to be paid immediately; the rest due in six half-yearly installments. (*North American Review*, February 23, 1923, p. 195.)
2. Tax on capital increase. a. Measured by the difference of pre-war wealth of individuals and that of March 31, 1919. b. Rate, 5 per cent on increments in wealth of 5,000 kronen to be a tax of 40 per cent on increments exceeding 10,000,000 marks.
3. Direct taxation yielded about one billion kronen in 1921, but indirect yielded five times as much.

## SWITZERLAND.

In 1922 the Socialist Party introduced a bill with a noncurrent levy on capital of individuals and corporations, with an exemption of 80,000 francs, and exemptions for wives, children, etc.

1. Rates: a. Individuals, 8 per cent on the first 50,000 francs to 60 per cent in excess of 30,700,000 francs. b. Rate for corporation, 10 per cent.
2. Valuation on December 31, 1922.
3. Payment in three yearly installments.
4. Revenue from it to go three-fifths to federation and two-fifths locally.

Results: Enormous transfer of capital to other countries before the referendum. The bill was defeated and the capital returned.

## ENGLAND.

In 1916 a capital levy was first proposed by Sidney Webb, who advocated a 10 per cent tax on capital.

In 1917 Bonar Law favored a levy (though he does not at present) as a solution to the debt.

In 1920 the House of Commons appointed a committee to study the matter. To them the board of inland revenue submitted a report, "Memoranda on suggested taxation of war-time increases in wealth," presenting two detailed methods of how it could be accomplished. Chancellor of Exchequer refused to propose it, and in 1922 again refused to propose it.

## FRANCE.

(Review of Reviews (*Am.*), April, 1923, p. 402.)

In 1920 finance committee of the Chamber of Deputies considered several plans. a. Supported by socialists with whom it originated. b. Also by some deputies representing the financial interests who felt that a moderate tax might increase the value of the franc. However, it was opposed by the minister of finance and temporarily shelved.

In 1923 the finance minister accounted for its omission. Said that because of the income and inheritance taxes heavier taxation was out of the question.

## INTERNATIONAL FINANCE AND ITS REORGANIZATION.

(Alisha M. Friedman.)

"The brilliant success of America's war financing was due to the almost providential inauguration of the income tax in 1913. Britain's time-tested income tax was the backbone of her financial structure" (p. 17).

## THE COST OF THE PREVIOUS WARS.

In the 120 years from 1793 to 1913 the cost of war amounted to over \$24,000,000,000, or about two-thirds of the difference between the debts of the world at the two dates. The expenditures of the United States in former wars amounted to \$5,692,000,000, distributed as follows:

|                                    |               |
|------------------------------------|---------------|
| War (1812-1815) with Great Britain | \$119,000,000 |
| War (1846-1849) with Mexico        | 173,000,000   |
| Civil War, 1860-1865               | 3,478,000,000 |
| Spanish-American War, 1897-1900    | 1,922,000,000 |

The cost of wars to Europe in the same interval amounted to about \$18,400,000,000. The cost of the World War was over six times as great as the cost of all the wars in the previous 20 years (p. 29).

## THE TOTAL DIRECT COST OF THE WAR.

Several estimates have been made of the cost of the war, the variation between which is due to differences as to period covered and differences as to items included. The statistics branch of the General Staff of the United States War Department figured the direct cost of the World War to be \$186,000,000,000.

Edgar Crammond in Great Britain estimated the total direct cost of the war to be about \$210,000,000,000.

E. L. Bogart, in his very comprehensive study, estimated the total direct cost to be \$186,333,000,000.

L. K. Gottlieb estimated that the increase in gross indebtedness of the principal belligerents was \$212,000,000,000, but this sum included about \$29,000,000,000 of Russian paper currency, the deduction of which would make the increase of gross indebtedness \$183,000,000,000. Deducting advances among the Allies of about \$23,000,000,000 counted twice, the net increase in the debt of the world would be \$160,000,000,000. The addition of \$32,000,000,000 in taxes would make the total direct cost of the war \$192,000,000,000.

E. K. A. Seligman reckons the total war expenditures to be about \$232,000,000,000 and the net war expenses about \$210,000,000,000. He ascribes his high result to the fact that he uses later figures than did other writers.

Assuming that the total direct cost of the World War is about \$200,000,000,000, this figure is ten times the total foreign investments accumulated by Great Britain before the war, or more than five times the foreign investments of the entire world.

In terms of American values, the cost of the war to the world is approximately equal to the total estimated wealth of the United States, or about four hundred times the annual value of new building construction, about fifty times the value of our foreign trade before the war, and about sixty times the value of the general stock of gold in the United States January 1, 1920.

## DEBT CHARGES.

The annual debt charges of all the powers enumerated was about \$9,300,000,000 after the war. Comparing the annual charges before the war and after the war by countries, we find that the ratio of the increase was fifty-two times for Germany, thirty-eight times for the United States, twelve times for Great Britain, eight times for France, and six times for Italy. The per capita debt for the United States after the war was about 30 per cent of that of Great Britain and about 33 per cent of that of France (p. 41).

## DEBT AND NATIONAL WEALTH.

The United States pre-war national wealth was about 45 per cent that of the total for the allied powers and one and six-tenths times that of the Central Powers. The other countries in the order of national wealth were as follows: Germany, Great Britain, Russia, France, Austria, Italy. The pre-war national income of the United States constituted 54 per cent of that of the allied powers and two and three-tenths times that of the Central Powers (p. 42).

## FISCAL POLICY OF GREAT BRITAIN DURING WAR.

The experience of the United States in the War of 1812 and in the Civil War and of France and Germany in the World War were evidences of wrong fiscal policies.

Great Britain, however, adhered to a defined and fairly consistent policy throughout the war. A large percentage of her expenses were met by taxation. Taxation was vigorous and increasingly heavy throughout the war. Not only was the interest on loans fully covered, but a large percentage of the war expenditures were met by taxation.

Direct taxes constituted the chief source of funds. These are democratic in character and not easily shifted. The income and excess-profits taxes produced over 60 per cent of the total tax revenues. The number of sources of tax revenue were few, but rates on these were gradually and continually raised throughout the war. The introduction late in the war of luxury and consumption taxes was primarily to repress nonessential consumption rather than to raise revenue (p. 88).

## INCOME TAX.

(The Nation, May 16, 1923, p. 580, copied from Statistischen Reichsamt.)

For a married man with two children in percentage of incomes from 100,000 marks to 100,000,000 marks, March, 1923:

|                    | Per cent. |
|--------------------|-----------|
| 100,000 marks:     |           |
| Germany.....       | 8         |
| France.....        | 4         |
| Italy.....         | 13        |
| 500,000 marks:     |           |
| Germany.....       | 10        |
| France.....        | 6         |
| Italy.....         | 15        |
| 1,000,000 marks:   |           |
| Germany.....       | 16        |
| France.....        | 9         |
| Italy.....         | 17        |
| 5,000,000 marks:   |           |
| Germany.....       | 36        |
| England.....       | 16        |
| France.....        | 10        |
| Italy.....         | 20        |
| United States..... | 2         |
| 10,000,000 marks:  |           |
| Germany.....       | 47        |
| England.....       | 20        |
| France.....        | 18        |
| Italy.....         | 20        |
| United States..... | 5         |
| 20,000,000 marks:  |           |
| Germany.....       | 53        |
| England.....       | 26        |
| France.....        | 21        |
| Italy.....         | 25        |
| United States..... | 8         |
| 50,000,000 marks:  |           |
| Germany.....       | 58        |
| England.....       | 42        |
| France.....        | 32        |
| Italy.....         | 26        |
| United States..... | 15        |
| 100,000,000 marks: |           |
| Germany.....       | 59        |
| England.....       | 45        |
| France.....        | 45        |
| Italy.....         | 35        |
| United States..... | 25        |

Mr. COLLIER. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. O'CONNOR].

Mr. O'CONNOR of New York. Mr. Chairman and gentlemen of the committee, were it not for a few things which have been said in this House during the past 48 hours I would not have injected myself, being a first-term man, into this debate, but I can not let an impression go out to the country that a certain gentleman from New York [Mr. MILLS], and always referred to as the gentleman from New York, speaks for either the city or the State of New York.

This is a subject to which my few remarks could add nothing. It has been discussed probably more than any other measure before this Congress and especially prior to its introduction, prior to its submission to us to pass upon it as a measure that may be enacted into law. I am concerned as a Representative from the great Empire State with those 1,063,000 taxpayers who will fare better under the plan of the gentleman from Texas [Mr. GARNER], and I am not concerned with the 3,000 taxpayers who will fare better under the plan of Mr. Mellon. [Applause on the Democratic side.] I know these 3,000 taxpayers are probably all confined within the limits of the district represented by the gentleman from New York [Mr. MILLS]. He speaks for them. They are his constituents. Probably not

all of them vote for him. Probably a great number of them live in New Jersey, but if there are any people who do vote for Mr. MILLS, and it is only on a stormy day when they can not play golf that he does get a very good vote in his particular district, it is just that type of big surtax payers who do vote. His district is the result of his own personal gerrymander. As a member of the New York State Legislature he had risen above those legislative halls and determined to enter national politics. Whereupon in connection with the Republican organization in our city he carved out, you might say, from the entrails of the Borough of Manhattan a district fitted for himself. It starts down in Greenwich Village and ends up in Harlem. It touches every one of the other nine congressional districts in that borough. You can not follow it north or south, or east or west. When you get through walking about his district you think you are still living in the pre-Volstead days. He did not miss a park, he did not miss a so-called high-class hotel, he did not miss a cabaret. He has them all in his district. Fifth Avenue is its spinal column. His right elbow rubs my left elbow.

My district is in that great east side of New York from Fourteenth to Sixty-third Street, east of his district to the great East River. My people know nothing about Mr. MILLS, because they seldom go so far west. [Laughter.] Like the other Members from New York City, I have received thousands of those missiles manufactured by Mr. Mellon and his cohorts in reference to the so-called Mellon plan, but I can tell you truthfully for myself, and I believe I speak for the other Members from New York City except this one distinguished gentleman, that none of those messages came from the real honest-to-God citizens of that city or State. They were either from the business men who do business in Mr. MILLS's district, or they were from the lawyers who have retainers for those business men. We are very proud of the people who inhabit the great Empire State, and I can assure you gentlemen here that this gentleman from New York [Mr. MILLS] does not speak for even a small fraction of them. It is beyond his power to hoodwink the people of that city or that State, and it is beyond the power of this great Republican campaign manager now presiding over the Treasury to sell those people a gold brick. They have been all through that. They are interested in tax reduction, but never a word out of them as to the surtaxes. There are 1,063,000 of them who are concerned with the taxation as provided for in the plan of the gentleman from Texas, and there are only 3,000 of them who are interested in the Mellon plan.

There was no demand from the people there, of course, for the elimination of those excise taxes on dirks and bowie knives and yachts. They do not use those things. They see yachts occasionally. Once in a while Mr. Morgan's yacht, the *Corsair*, or James Stillman's palace of revelry interferes with their swimming off the docks in the East River. [Laughter.]

Mr. CAREW. The name of that yacht of Mr. Stillman's, I might inform the gentleman, is the *Modesty*. [Laughter.]

Mr. O'CONNOR of New York. It was my own modesty that prevented me from mentioning it.

Those people did not ask to take the tax off moving pictures. They know they are going to pay just the same price after you do take the tax off. They know that where 15 cents used to be the fee, gradually education and mathematics, showed the moving-picture man the way to do it. He used to charge 17 cents, and then he said, "What's the use of dealing with pennies, we will make the admission 18 cents and the tax 2 cents, total 20 cents." It will still be 20 cents after you repeal that tax. It is the same way with the soda tax. They will pay just as much for an ice-cream soda or for a bag of gumdrops after you take off the tax as they do now.

One thing is amusing, and even though I am a new Member, perhaps I am entitled to be amused, but in the list of those excise taxes—and I do not know whether it was deliberate or not—we find that they have taken off a certain excise tax. I imagine the majority of the committee realized the necessity for further receptacles to hold these great bonuses granted to these surtax payers, and with that thought in their minds they took off the tax on purses.

The people of New York City and of New York State are interested in the reduction of taxation, but that reduction must be equitable to all the people. It is no patriotic motive that moves those gentlemen. This tax reduction idea is not patriotic. All it is is selfishness universally applied. No taxpayer and no statesman, or one who thinks he is one, can get up on the Capitol steps and wrap the American flag around him in favor of tax reduction. But if we apply this universally applicable selfishness we want to apply it universally. These people in New York, like the people of the rest of the country, are looking for their share of the reduction of taxes, and they are not

willing, like Lazarus, to take the crumbs while Dives is feasting on the piece de resistance of a \$500,000,000 bonus. [Applause.] And Mr. MILLS is never going to persuade them that that is the way they should be represented in the Congress.

I sympathize with the position of the gentleman from New York. There is only one more thing for him to do—to retire to private life and follow his chosen profession of finance or to find some further measure that is coming up during this session to be against when that particular measure is demanded by the people of such a great cosmopolitan, typical city as New York. He is against the bonus. He is for taxing the poor for the benefit of the rich or for the relief of the rich at the expense of the poor. Well, we are going to be in New York when he is on the stump this year, and we are waiting to see what position he will take on at least one additional bill that is bound to come before this House; and if there is anybody left in his district to vote for him, it is going to be somebody who sails yachts or has bought yachts or who uses dirks or bowie knives, or something like that where his immediate help was appreciated. [Laughter.]

It is not my privilege, of course, to have sympathy with anybody. As a new Member, I should confine my emotions. But I appreciate the position in which the gentleman from New York finds himself, and probably the position in which a number of his cohorts find themselves. They are between the two fires, gentlemen of the committee. They are between the Scylla of big business and the Charybdis of the electorate. If they do not put over this "Mellon," well, the Lord help their campaign chest! It will look like a sink strainer and be about as useful; and if they do put it over, New York will be unanimous, and you will be able to count the Republican electoral vote of the country on the back of a postage stamp. [Laughter.]

Now, Mr. MILLS knows that; and yesterday when he saw his position was futile he was hoping and praying that the 25 per cent will not go over, so that he can go back to New York and have some possibility of being returned to Congress.

Appended to this bill as an afterthought—and I so characterize it advisedly—is a provision in reference to the taxes of 1923, whereby it is proposed that a flat reduction of 25 per cent be refunded to the taxpayers in 1924. I was amused yesterday at the candidness of the gentleman from Iowa [Mr. GREEN], the chairman of the Committee on Ways and Means, and the frankness with which he claimed authorship of that measure.

He stated that not by even a hint or suggestion did it come to him from the Treasury Department. He, in his sleepless nights of the past two weeks, lying there in his half-wakeful moments, with the figures 25, 35, 44 taking human form before his eyes, all of a sudden conjured up this great discovery! [Laughter.] Well, gentlemen, I do not want to be provincial, but I want to say this: On the first day of this year, in the New York Legislature, an identical proposition was laid before the Legislature of the State of New York, that they reduce by a 25 per cent flat reduction the New York State income taxes for the year 1923, payable in 1924. And if the gentleman from Iowa [Mr. GREEN] did not there get his inspiration, most of the country knows that it must have come from the first annual message of that great Governor of New York.

Mr. GREEN of Iowa. Mr. Chairman, will the gentleman yield?

Mr. O'CONNOR of New York. Yes.

Mr. GREEN of Iowa. Unfortunately, the present Governor of New York is not so celebrated out in Iowa as in New York State.

Mr. O'CONNOR of New York. That is only a temporary condition. [Applause.]

Mr. GREEN of Iowa. I do not know as to that; that may be.

Mr. O'CONNOR of New York. The State income tax of New York is a flat 1 per cent on residents, and, of course, no other plan except the 25 per cent reduction plan would be equitable. But as the distinguished gentleman from Texas [Mr. GARNER] yesterday pointed out this plan is not equitable, and that was one of the chief reasons why I rose here, because there is a sinister motive behind it. That plan returns money to taxpayers who are not entitled to it.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. COLLIER. Mr. Chairman, I yield to the gentleman five minutes additional.

The CHAIRMAN. The gentleman from New York is recognized for five minutes more.

Mr. O'CONNOR of New York. In that connection I want to read a part of the speech of the President the other night when he invaded New York City. He spoke in the district of the gentleman from New York [Mr. MILLS], at the Waldorf-Astoria.

The speech was labeled "Abraham Lincoln," but so little was said about Abraham Lincoln that it is difficult to find it in the speech. The President spoke about the Mellon plan, and he talked politics. You gentlemen have all read it, but probably it would not be amiss for you to refresh your recollection about what he said about the bill of the distinguished gentleman from Texas. I read:

Other measures which have been brought forward do not meet this requirement.

They have the appearance of an indirect attempt to defeat a good measure with a bad measure. You have heard much of the Garner plan. Brought forward to have something different, it purported to relieve the greatest number of taxpayers. It gave not the slightest heed to the indirect effect of high taxes, or to the approaching drying up of the source of revenue and consequent failure of the progressive income tax, or to the destruction of business initiative. It is political in theory. When the effect of its provisions was estimated it meant a loss of revenue beyond any expected surplus. It is impossible in practice. The people will not be misled by such proposals. It is entirely possible to have a first-class bill. I want the country to have the best there is.

I commend to the distinguished President the debates of these two days as to whether or not his political theories as to the Democratic plan will hold water after the Members of this House have discussed the question.

But I want to say this in reference to this flat reduction. I believe it is unfair and inequitable. It should not, in any event, exceed a certain amount of income or be applicable to taxpayers receiving over a certain amount of income, say \$50,000. My authority for that is Mr. Mellon, and my further authority is the President. In his speech in New York the President narrated the story of the poor farmer buying a pair of shoes, saying:

The high prices paid and low prices received on the farm are directly due to our unsound method of taxation. I shall illustrate by a simple example: A farmer ships a steer to Chicago. His tax, the tax on the railroad transporting the animal, and of the yards where the animal is sold, go into the price of the animal to the packer. The packer's tax goes into the price of the hide to the New England shoe manufacturer. The manufacturer's tax goes into the price to the wholesaler and the wholesaler's tax goes into the price of the retailer, who in turn adds his tax to the price of the purchaser. So it may be said that if the farmer ultimately wears the shoes he pays everybody's tax from the farm to his feet.

Mr. Mellon, prior to the President's statement, flooded this country with propaganda to the effect that the big surtax payer does not pay taxes; that anyone receiving an income over \$50,000 collects it from others; that the money does not come out of his pocket, but that he collects the taxes from the small fellow, the ultimate consumer, and pays them into the Treasury of the Government. Yet you now propose at one fell swoop to return millions and hundreds of millions of dollars back to these men, that money not being theirs, and with no obligation that they return it to those poor persons who paid it to them.

In other words, the "poor" farmer, whose percentage of personal income tax computed on his profits, expended on a pair of shoes was 8 cents, receives a refund of 2 cents, while the packer, the tanner, the wholesaler, the shoemaker, the retail dealer, and so forth, altogether receive a refund of about 50 cents, no part of which goes back to the farmer who contributed the money by which these merchants paid their taxes in the first instance. Is that equitable?

I think that is the most outrageous proposition that is advanced in connection with this whole bill. But speaking about campaign chests, that does not make a bad little nucleus to start with. I believe that is the sinister purpose behind this afterthought alleged to have been conjured up by the chairman of the Ways and Means Committee.

Now, gentlemen, I am sorry to have inflicted this on you, but New York is not typified in its advocacy of the rights of its inhabitants by the gentleman from New York [Mr. MILLS]. We Members from New York are applying to this subject a great old adage which is just as true to-day as the day it was first uttered. It is true socially; it is the keystone of society; it is true economically, although Mr. Mellon and Mr. MILLS will not concur with me; it is true politically, and it always has been applied by the Democratic Party from the day of that party's birth. It is an adage that might well be emblazoned in gold across the title page of the so-called Garner bill, "The greatest good for the greatest number." [Applause.]

Mr. HAWLEY. I yield 40 minutes to the gentleman from Connecticut [Mr. TILSON]. [Applause.]

Mr. TILSON. Mr. Chairman, I have been allotted more time than will be necessary for the argument I intend to make, so that

at the end there will be time enough to answer any questions propounded to me that I may be able to answer. For this reason, and in order not to interrupt the thread of my argument, I ask that in the first portion of my remarks I be not interrupted.

Mr. Chairman, I was born and brought up a poor boy, and though I am now older, I have not in that regard departed far from my earlier state and condition. So far as I know I have not a wealthy relative in the world, so that the chances of my becoming rich by inheritance are indeed remote. As the older Members of this House know, I have spent the years of best earning capacity in this House, serving at a salary too small to meet even the living expenses of a man in our position having a family. I have served because I love my State and country and enjoy serving them. Nor do I feel regretful, despite the effect upon my personal fortune, for my life has been made rich in the abundance of its experiences, the character of its associations, and the satisfaction of having rendered service truly worth while.

These personal references are for the purpose of making it clear that what I may say is in no wise prompted, colored, or influenced by my selfish personal interests as a direct-tax payer. No plan that has been, or is likely to be, proposed can possibly make very much difference in the amount of tax I must pay into the Treasury. I am, however, deeply interested, as the head of one of the more than twenty millions of families in this country, struggling for the highest and best standard of living obtainable, and as such I know, in the expenditure of my meager income, what the burden of taxation means.

There is reasonable ground for difference of opinion as to many of the taxes carried in this bill, but as to the wisdom or folly of high surtax rates there seems to me to be no more ground for disagreement than there is to disagree about the multiplication table. This, however, seems to be the principal bone of contention here, so I shall address myself largely to this feature of the bill.

It has been said that the rule of taxation most universally applied is to pluck so as to get the most feathers with the least squawking. It would seem that the so-called Democratic or Garner plan is bottomed on this rule brought down to date. The idea underlying this plan seems to be that if the number of squawkers is sufficiently reduced, the combined squawking of so small a number may be disregarded at election time. Unfortunately for this plan there are others—millions of others—in addition to the small number ostensibly singled out by this plan for plucking, who are also being stripped of their feathers and more. When these fully realize what is happening to them, the din of their million-voiced squawking will drown the voice of my good friend and his plan.

There are certain elementary economic principles and certain practically universal traits of human character that must be taken into account in the problem of taxation. Explorers are still searching the uttermost nooks and crannies of the globe for a race, tribe, or people who like to be taxed. Few have been found who will pay more taxes than they are legally obligated to pay, while most will so adjust their affairs within the law as to render themselves liable to just as small an amount as possible. Some will go even further.

If a tax directly imposed upon one can be lawfully passed on, or transferred to another, it will be done in most cases. For instance, the landlord pays the tax directly, but the tenant actually pays all the taxes—Federal, State, and municipal.

Taxes imposed upon any productive enterprise are properly chargeable as an additional overhead expense and as such reckoned in the cost of the product, whether the product be services rendered or articles grown or manufactured. These taxes become an added expense upon the doing of business, which is necessarily reflected in the price of the product to the consumer. Having traveled around the circle, we come at last to the inevitable, unescapable, ultimate fact that those who use the products of business, whether goods, services, or what not, in the last analysis must pay the tax. This being so, and it can not be successfully contradicted, it would seem that being sincerely interested in lifting the burden of taxation from the backs of those least able to bear it, our first and deepest concern should be to reduce as far as possible the unnecessary load now being borne by legitimate business. In so doing we shall bring real relief to all, and this is the only way we can reach so as to help the great masses of the people who are not even mentioned in the income tax laws.

We shall do well, of course, to reduce somewhat the tax upon those of comparatively small incomes; for instance, those who pay on \$10,000 or under. This is the class to which my good friend GARNER and myself both belong, so far as our earned income is concerned. As to the other kind of income, my

friend has the advantage of me. We admit that to this group belongs the aristocracy of brains, as opposed to the plutocracy of dollars.

On behalf of my friend and myself I admit that we are a very deserving class of citizens and entitled to all reasonable consideration. The bill, as it stands, offers us quite a slice, 30 per cent reduction, but my friend GARNER adds 23 per cent to the cut, making a total reduction of nearly 54 per cent in our taxes. It may be well to add in passing that besides my good friend and myself there are quite a number of others in this fortunate class. It includes, in addition to Members of Congress, the lawyer and doctor of modest incomes, a great number of skilled mechanics, and others. In fact, there are over 3,000,000 of us, or about 90 per cent of all individual taxpayers. It is a wonderful reduction, and I should be for accepting what my friend offers me if the Treasury could only stand the strain and still be able to do the other things more important; but how does my friend propose to recoup the losses of revenue?

There are a few lone thousands, less than 10,000, who pay on more than \$53,000, which is the point at which the Garner plan goes above the Mellon plan. My friend stops bidding at this point. He does not care what happens to a man who is so indecent as to have an income of more than \$53,000. Besides they are fewer in number than the Greeks who took part in the great Anabasis immortalized by Xenophon, and very few of them live in the fifteenth congressional district of Texas; so why should my friend worry about them?

If I correctly understand the plan of my friend it is to take off the tax burden entirely from all people except about 2,000,000 individuals, and to relieve all of these 2,000,000 of a substantial part of their burden, except a comparatively small number of rich men, so small that they are not worth considering. This is what is called "lifting the tax from the backs of the poor and placing it upon the shoulders of the rich."

Oh, if by wishing we could only make it so. Facts are stubborn things to deal with. The theory upon which the gentleman from Texas has constructed his bill is so beautiful that it is a pity the facts can not be brushed aside; but it can not be done. We must face the facts. Figures have been accumulating since we first imposed surtaxes. It is easy now to see the effect of such taxes and it is now possible to predict the effect of any proposed change. For instance, to adopt the Garner plan would mean, according to the Actuary of the Treasury, a loss to the Treasury of over \$600,000,000 a year. Nothing can be more clearly demonstrated than has been the fact that very high surtax rates are not only not productive of revenue but are self-defeating and that they will inevitably and utterly destroy the progressive income-tax system. Prof. Thomas S. Adams, the father and best friend of the progressive income-tax system, says that a continuance of the high surtax rates will soon kill the progressive income tax entirely. You may multiply zero by any number you please and the product is zero. My 8-year-old daughter was having difficulty with the multiplication table and I was trying to assist her. I had explained to her that zero multiplied by one equals zero, and likewise that zero multiplied by two or any other number, however large, also equals zero. This was too much for her. She broke in, saying: "But, Daddy, surely if you multiply zero by a whole hundred it will make something." So here the effort is to try to multiply a figure rapidly declining toward zero by a tax rate sufficiently high to produce all the revenue we may need. It can not be done.

In the admirable speech of President Coolidge, delivered in New York on Lincoln's birthday, he cited the well-known fact that when the surtax on incomes over \$300,000 was 10 per cent the revenue was about the same as at 65 per cent. He also referred to the fact that "in 1916 there were 216 incomes of a million dollars or more. Then the high tax rate went into effect. The next year there were only 141, and in 1918 but 67. In 1919 the number declined to 65. In 1920 it fell to 33, and in 1921 it was further reduced to 21." Next year there will be less and like the "10 little Indians all in a line," the subtraction will probably go on until there is none.

Those who insist upon the present rates, or the Garner rates, are like the ostrich in the timeworn, threadbare illustration, with their heads under the sand refusing to see the cold facts towering before them like a church steeple. They refuse to even look at the Treasury figures, which make the whole matter plain as a pikestaff. They insist upon the high surtaxes despite the fact that the incomes to which they are to be applied have largely disappeared. They seem to think, like my little girl, that if you multiply zero by a sufficiently large figure you will get something. In attempting to pull the

wool over the eyes of the people let us not deceive ourselves. The people of the country who do not know the multiplication table are not so numerous as they once were, and those who do not know it are rapidly learning it. They know that by retaining a large multiplier they can not maintain the same product if the multiplicand is rapidly diminishing.

I take the ground that high tax rates defeat themselves by driving capital into untaxed channels, and in the end fail to produce revenue. No fair-minded person can study the figures making up the tax history of the last 10 years without coming to this conclusion. The harm done by high surtax rates goes much further. They restrict and impede productive enterprise, thereby increasing living costs. The effect must follow the cause as inevitably as night follows the day. The net result of such a system is diametrically opposed to that claimed by its proponents in that by driving those best able to pay from the taxable field it imposes an undue share of the tax burden upon those least able to bear it.

The other side of the picture is that by reducing inordinate rates productive enterprise becomes profitable, and by increasing the volume of business becomes productive of increased revenue. Increased production in its turn affects living costs through the economic law of supply and demand. In short, stimulating productive enterprise by reducing the high surtaxes is the only means by which the great mass of the people who pay no taxes directly can be benefited by tax reduction.

It has been asserted that the reduction of surtax rates to a maximum of 25 per cent will induce no additional capital to flow into productive channels. Some have been inclined to sneer or scoff at it. I believe that I can demonstrate that it will have that effect.

I assume that it need not be argued that men having capital to invest will invest it where, in their judgment, it will be most productive of income. If we make our tax laws so that under them it is profitable to do so, men of brains and capital will use their brains and money in active business. If we leave the surtax rates as they are, or even reduce them to 44 per cent, they will invest their money in tax-exempt securities and spend their time playing golf.

I have prepared some tables which will illustrate the effect of tax rates upon net incomes, which I shall insert at this place.

What reduction in tax rates will induce capital to flow into productive enterprise? A person has \$100,000 to invest—what will he do with it?

Comparative net return under Mellon plan, Garner plan, and the present law.

(The basis taken is the top bracket under all plans.)

MELLON PLAN—NORMAL TAX 6 PER CENT + SURTAX 25 PER CENT—31 PER CENT.

| Amount to be invested. | Rate.            | Income.  | Tax.    | Net yield. | Net rate.        |
|------------------------|------------------|----------|---------|------------|------------------|
|                        | <i>Per cent.</i> |          |         |            | <i>Per cent.</i> |
| \$100,000.....         | 11               | \$11,000 | \$3,410 | \$7,590    | 7.59             |
| \$100,000.....         | 10               | 10,000   | 3,100   | 6,900      | 6.90             |
| \$100,000.....         | 9                | 9,000    | 2,790   | 6,210      | 6.21             |
| \$100,000.....         | 8                | 8,000    | 2,480   | 5,520      | 5.52             |
| \$100,000.....         | 7                | 7,000    | 2,170   | 4,830      | 4.83             |
| \$100,000.....         | 6                | 6,000    | 1,860   | 4,140      | 4.14             |

GARNER PLAN—NORMAL TAX 6 PER CENT + SURTAX 44 PER CENT—50 PER CENT.

| Amount to be invested. | Rate.            | Income.  | Tax.    | Net yield. | Net rate.        |
|------------------------|------------------|----------|---------|------------|------------------|
|                        | <i>Per cent.</i> |          |         |            | <i>Per cent.</i> |
| \$100,000.....         | 11               | \$11,000 | \$5,500 | \$5,500    | 5.50             |
| \$100,000.....         | 10               | 10,000   | 5,000   | 5,000      | 5.00             |
| \$100,000.....         | 9                | 9,000    | 4,500   | 4,500      | 4.50             |
| \$100,000.....         | 8                | 8,000    | 4,000   | 4,000      | 4.00             |
| \$100,000.....         | 7                | 7,000    | 3,500   | 3,500      | 3.50             |
| \$100,000.....         | 6                | 6,000    | 3,000   | 3,000      | 3.00             |

PRESENT LAW—NORMAL TAX 8 PER CENT + SURTAX 50 PER CENT—58 PER CENT.

| Amount to be invested. | Rate.            | Income.  | Tax.    | Net yield. | Net rate.        |
|------------------------|------------------|----------|---------|------------|------------------|
|                        | <i>Per cent.</i> |          |         |            | <i>Per cent.</i> |
| \$100,000.....         | 11               | \$11,000 | \$6,380 | \$4,620    | 4.62             |
| \$100,000.....         | 10               | 10,000   | 5,800   | 4,200      | 4.20             |
| \$100,000.....         | 9                | 9,000    | 5,220   | 3,780      | 3.78             |
| \$100,000.....         | 8                | 8,000    | 4,640   | 3,360      | 3.36             |
| \$100,000.....         | 7                | 7,000    | 4,060   | 2,940      | 2.94             |
| \$100,000.....         | 6                | 6,000    | 3,480   | 2,520      | 2.52             |

The question to the answer of which these tables are directed is: What reduction in tax rates will induce capital to flow into productive enterprise? Or what rates will drive capital into nonproductive fields? In making up the tables I assume that a person has reached the top bracket, so that any addi-

tional income received by him must pay the highest rate. Under the Garner plan the top bracket begins at \$92,000, and under the Mellon plan it is \$100,000. So far as my chart is concerned, it makes no difference at what figure the top bracket is reached. To illustrate, assume that A is a man with a prosperous business yielding him an income of \$200,000. At the end of the year he finds that he has \$100,000 to invest. Will he enlarge his business, enter upon some new enterprise, or will he invest in tax-exempt securities? The answer will depend upon what return he thinks he can net on his investment. The chart shows the comparative net return on \$100,000 under the Mellon plan, the Garner plan, and the present law.

The net rate, of course, is secured by taking the gross income, subtracting the tax, finding the net income, and this, of course, determines the net rate of income.

Taking first the Mellon plan and answering those who say that it will not induce capital to flow into productive enterprise, suppose that a taxpayer having \$100,000 to invest finds some exceptionally fine business opportunity which in his judgment will pay him 11 per cent. On this he will net a yield of 7.59 per cent, which is a better return than anything he can get on tax-exempt securities.

If he is an active business man and does not mind taking a reasonable amount of risk, he will probably invest his money in an active business at a prospective profit of, say, 10 per cent, although in the East this might not be considered a conservative investment. If he succeeds in making his 10 per cent on this investment, he will earn a net income of 6.90 per cent.

If he finds a 9 per cent investment, he will still net 6.21 per cent on his money; if an 8 per cent, 5.52 per cent; if a 7 per cent, 4.83 per cent. He must come all the way down to 6 per cent to get a rate of net income lower than the very best of the tax-exempt securities, because, as I understand—not holding any of them myself—good tax-exempt securities can be bought to yield anywhere from 4 per cent to 5½ per cent.

It will thus be seen that under the Mellon plan a man at least has a chance to make a profit on his invested capital sufficient to induce some large investors to invest their money in active business rather than in tax-exempt securities.

Now, take the Garner plan, and suppose that a man finds an investment which he thinks will pay him 11 per cent. If he is engaged in a productive business, a business which produces articles which people must consume, he must charge a pretty high price for them if he is to earn 11 per cent on his money. Suppose, however, that he finds an 11 per cent investment, and after taking the inevitable risk earns the 11 per cent. Under the Garner plan it will net him only 5½ per cent. I understand that there are some tax-exempt securities which may be bought to yield even this rate. Surely there are plenty at 4½ per cent, and the man with the \$100,000 to invest must find an investment that will pay him 9 per cent in order to net him the equivalent of a 4½ per cent tax-exempt bond. Why should he not go off and play golf or go to Palm Beach and enjoy himself while his tax-exempt securities draw interest rather than take the risk, when, even if he succeeds, he gets only an income equal to that yielded by a gilt-edged tax-exempt security, while, if he fails, he loses all, both the interest and the principal?

Of course the present law is in this regard even worse, because under the present law there is a 50 per cent surtax and an 8 per cent normal tax, so that even for the 11 per cent investment under the present law there is no inducement for a man with a large income to invest in any productive enterprise. The fact is that such men are not doing it in increasing numbers, and we are all feeling the ill effects of it.

Mr. HERSEY. Will the gentleman yield?

Mr. TILSON. Yes.

Mr. HERSEY. Has the gentleman worked out the Frear plan so as to know what it is? A certain number of men who call themselves progressives, as I understood from Mr. FREAR, have pledged themselves to vote for his plan, and I do not know but what I might vote for it myself if I could understand it. Can the gentleman explain it to us?

Mr. TILSON. I am afraid that I should not be able to explain it; and as Mr. FREAR himself in his very able way has spent something like an hour in explaining it, I do not believe that I should dare try to explain it any further at this time.

Mr. VINSON of Kentucky. Will the gentleman yield?

Mr. TILSON. Yes.

Mr. VINSON of Kentucky. I believe the gentleman said that an investment which brings 9, 10, and 11 per cent would be of a speculative character.

Mr. TILSON. I should call it so.

Mr. VINSON of Kentucky. And undoubtedly in the East it would be considered speculative.

Mr. TILSON. The gentleman is correct. I speak from my own standpoint, of course.

Mr. VINSON of Kentucky. Taking the gentleman's table and considering the investment as an eastern one, at what point would the gentleman consider a conservative investment to begin?

Mr. TILSON. Well, of course an investment which would be conservative for one person would not be for another.

Mr. VINSON of Kentucky. Take the ordinary business man.

Mr. TILSON. If he were a young man, in the prime of life, and had a little backlog which would be left if his venture failed, I should consider 8 per cent as reasonably conservative for him.

Mr. VINSON of Kentucky. Let us take 8 per cent and say it is a real-estate investment, and your capital invested brings a return of 8 per cent. What is the property tax in New York State?

Mr. TILSON. I do not know what it is in New York, but I believe it is pretty high.

Mr. KINDRED. Nearly 3 per cent.

Mr. VINSON of Kentucky. Now, when you deduct from your net yield the amount of your property tax, would not big money have the same opportunity and, under your argument, the same reason for investing in tax-exempt securities as they would have under the Garner plan?

Mr. TILSON. I do not know how oppressive the taxes are there, but I do know that as a general principle, as I stated a few moments ago, the person who uses the real estate must pay the tax in the end, whatever it may be.

Mr. VINSON of Kentucky. If the net yield at 8 per cent is 5.52 per cent and the property tax, as well as the city, county, and State taxes, would be, say, 2 per cent; would not that bring the net yield down to 5.52 per cent?

Mr. TILSON. The gentleman's arithmetic is correct, but the local taxes are taken into account before figuring the income.

Mr. VINSON of Kentucky. Would not the big money, under that argument, have the same opportunity and the same reason to invest their money in tax-exempts under the Mellon plan as under the Garner plan?

Mr. TILSON. No; the Garner plan puts the rate just so much higher. The rates under the Garner plan, going up to 50 per cent, take half of the income in taxes, whereas under the Mellon plan they take 31 per cent.

Mr. VINSON of Kentucky. But your yield under the Mellon plan, according to that table there before our eyes, is less than the income that the tax-exempts would bring.

Mr. TILSON. No; in no case—

Mr. VINSON of Kentucky. Yes; I am taking 5.52 per cent as the net yield and deducting your taxes.

Mr. TILSON. There are no tax-exempts, I think, that yield above 5½ per cent.

Mr. HAWLEY. Oh, yes; there are some that yield higher than that.

Mr. TILSON. I speak of the tax-exempts I know about.

Mr. MERRITT. I take it the plan of my colleague is based on the net income, in all cases, over and above municipal and State taxes, because they would be the same under any plan.

Mr. TILSON. Yes; of course. We have enough troubles of our own and enough to do in arranging the Federal taxation system so that it will, if possible, let business live to prevent us from attempting to go into State taxation matters.

Mr. NEWTON of Minnesota. Will the gentleman yield there?

Mr. TILSON. I yield to the gentleman.

Mr. NEWTON of Minnesota. In reference to the question propounded regarding the Frear plan, if I understood the proposition submitted by the gentleman from Wisconsin [Mr. FREAR], it was that his method is for no reduction whatever in the surtax, and that being the case, it would produce figures substantially similar to what the gentleman has there under the present law.

Mr. TILSON. Yes; so far as the surtax is concerned, the present law represents the plan of the gentleman from Wisconsin.

Mr. NEWTON of Minnesota. So that at the maximum, the investor could expect to get no more than 4.62 per cent and would stand to go down to 2.52 per cent.

Mr. TILSON. In other words, under the present law, upon reaching the top bracket the man must secure 11 per cent on any additional money he invests in order to net him 4.62 per cent.

Mr. BOX. Will the gentleman yield?

Mr. TILSON. I yield to the gentleman from Texas.

Mr. BOX. If the taxes are all passed on to the user or consumer, then why are the returns to the capitalist decreased with an increasing tax rate?

Mr. TILSON. I do not know that I understand the gentleman's question.

Mr. BOX. The gentleman takes the position that the taxes are passed on to the consumer.

Mr. TILSON. I said wherever they can be. I made that very clear.

Mr. BOX. If that is true, why does an increasing tax rate decrease the return of the investor on his money?

Mr. BOYCE. You mean why is the number of investors decreased?

Mr. BOX. Yes; and why is the return less? If he does not have to pay it or if somebody else pays it for him, why has he less return for his money?

Mr. TILSON. My point is that he is going to the place where he can get the highest return on his investment; that is, the largest net income on his investment.

Mr. BOX. If the gentleman will permit, the gentleman is arguing that a higher tax reduces his profit so that he is driven out of business.

Mr. TILSON. I did not say so at all.

Mr. BOX. I thought the gentleman's figures indicated that the higher tax rate reduced the returns or the earning power of his money.

Mr. TILSON. The tax rate determines where he is going to invest his money.

Mr. VAILE. In other words, he has to make a profit in order to pass it on.

Mr. TILSON. Certainly. This determines what kind of investment he will make, or to what use he is going to put his money. It does not determine the profit in his business by any sort of means, but that is one of the reasons why we are paying such tremendous prices for everything—because a man must make such inordinate profits in order to net even as much as tax-exempt securities.

Mr. BOX. And by making such enormous profits can avoid the taxes, according to the gentleman's reasoning, or, in other words, by enlarging them can retain his net profits. Is not that the effect of the gentleman's conclusion?

Mr. TILSON. No; the gentleman adds a good deal to what I have said. I simply show that in order to get a yield equal to that of a tax-exempt security he must get very large rates of income, and on general principles this is passed on, or, at least, as I said earlier, wherever it can be legally done it is done.

Mr. CAREW. Will the gentleman yield?

Mr. TILSON. I yield to my colleague on the committee.

Mr. CAREW. Do you think that after he has passed it on and collected it and has it he ought to be allowed to keep it?

Mr. TILSON. Oh, well, that is a different matter entirely. That has nothing to do with the matter I am discussing.

Mr. CAREW. If it were left to you to either let him keep it or give it to a veteran, which would you do?

Mr. TILSON. It depends on whom it belongs to.

Mr. CAREW. He collected it from the consumer to pay it to the Government.

Mr. TILSON. I would not even for the sake of a veteran, much as I should like to do anything reasonable for him, be guilty of theft, nor would I be guilty of confiscation under the law.

Mr. CAREW. Would you let him keep it after he collected it for the purpose of paying it into the Treasury?

Mr. TILSON. I do not know for what purpose he collected it.

Mr. CAREW. You said he passed it on—he added it in.

Mr. TILSON. I said earlier, and I repeat, that as far as he can do it any man who pays the tax in his business adds it as an overhead in his business and passes it along wherever he can. This is so elementary that it needs no argument whatsoever.

Mr. CAREW. He tries to.

Mr. BOYCE. Will the gentleman yield?

Mr. TILSON. I yield to the gentleman.

Mr. BOYCE. I understood you to go further than that and say that it was legal and proper for him so to do.

Mr. TILSON. I did not say proper. I say it is legal, and the other day this House refused to pass a constitutional amendment which would have prevented him from investing in tax-exempt securities. I say that it is legal whether proper or not.

Mr. BOYCE. Why should a man with \$100,000 of income invest it in 6 per cent securities, not engaged in any produc-



tive business, pay a tax under any of these plans, without any evasion, and yet a man who is engaged in a productive business at 11 per cent pass his tax on to the consumer?

Mr. TILSON. If I understand the question, the man who has the tax-exempt securities does not evade; he is legally avoiding paying any tax.

Mr. BOYCE. There are many who do.

Mr. WURZBACH. Will the gentleman yield?

Mr. TILSON. I will yield to the gentleman from Texas.

Mr. WURZBACH. Is it true that the higher taxes are passed on down to the consumer?

Mr. TILSON. Does the gentleman from Texas deny it?

Mr. WURZBACH. No, I do not deny it; but assuming it is true, will it not be more of a benefit to the ultimate consumer if we have a low rate of taxation than if we have a higher rate?

Mr. TILSON. Yes, and that is the only way we can help the ultimate consumer, the only way we can reach him, for the average ultimate consumer does not file a tax return at all. It was brought out yesterday by the gentleman from Ohio [Mr. KEARNS] that in the county of the other gentleman from Texas [Mr. GARNER] there are only 125 income-tax payers out of a total population of over 10,000. The reduction proposed by the gentleman from Texas [Mr. GARNER] will relieve the 125 people, but how does it affect the other 10,000? It does not help them in any way whatever.

Mr. MORGAN. Is it not a fact that every sound business man must insist, if he wants to make a reasonable return, in adding the tax as a part of the overhead operating expenses? Is not that the natural way? Would he not do it and must he not do it?

Mr. TILSON. The gentleman states correctly.

Mr. GARRETT of Tennessee. Will the gentleman yield?

Mr. TILSON. Certainly.

Mr. GARRETT of Tennessee. The gentleman does not insist that the net income tax can be passed on to the consumer?

Mr. TILSON. The tax on any business is a part of the overhead.

Mr. GARRETT of Tennessee. I mean the tax on net income that the individual can not pass on to the consumer.

Mr. TILSON. I think that the experience of everyone doing anything is to the contrary.

Mr. GARRETT of Tennessee. On the net income?

Mr. TILSON. I do not know that I understand what the gentleman means by the net income, but I do not see any difficulty in a man's adding his net income to his overhead in his business.

Mr. GARRETT of Tennessee. I have not made my question clear to the gentleman. Of course, in any business it can be passed on.

Mr. TILSON. But most men are in business. If the taxpayer is in business, he figures his expenses; the taxes are a part of the expenses and so he can pass them on.

Mr. CAREW. Will the gentleman yield?

Mr. TILSON. I will yield to my colleague.

Mr. CAREW. Can he not anticipate his tax?

Mr. TILSON. I do not know what the gentleman means by anticipating the tax.

Mr. CAREW. As he conducts the business through the year he always has in his mind the income tax; he will cast ahead and anticipate it through the year.

Mr. TILSON. I think that is correct.

Mr. CAREW. Whether or not the gentleman believes that when he comes to sell his goods he is more regulated by his own case and the anticipation of taxes than he is by the competition of his competitors.

Mr. TILSON. The law of supply and demand governs in most cases.

Mr. CAREW. Does not competition fix the price?

Mr. TILSON. The law of supply and demand and competition.

Mr. CAREW. And sometimes he is not able to anticipate the income tax?

Mr. TILSON. I said that he would pass it on if he could.

Mr. CAREW. If he did pass it on through the year, at the end of the year he has collected it for the Government, but he has it in his pocket, and you propose to let him keep it? [Applause on the Democratic side.]

Mr. TILSON. I am not discussing taking anything from anybody, and the gentleman has not proposed any way that it can be taken from him legally.

Mr. CAREW. I would like to take it and give it to the soldier. [Applause.]

Mr. GREEN of Iowa. Will the gentleman yield on that point?

Mr. TILSON. I will yield to the gentleman.

Mr. GREEN of Iowa. The reduction for this year will not affect the soldiers' bonus, because I have in my possession a letter from the Secretary of War, who says that you can not work out the provisions of the soldiers' bonus for at least nine months after it goes into effect, and that will carry it over into the next year.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GREEN of Iowa. I yield to the gentleman five minutes more.

Mr. TILSON. The gentleman states it correctly.

Mr. MURPHY. Now will the gentleman yield?

Mr. TILSON. Yes.

Mr. MURPHY. I was a little curious to notice the figures presented to-day by a number of speakers, one explaining that it will relieve 19 or 20 men, while the other claims that it would relieve three or four thousand. If it is to reduce the cost of living, it occurs to me that the three or four thousand men engaged in small business that come in direct touch with the public should be relieved in preference to those who fall in the higher brackets.

Mr. TILSON. I believe in relieving all, and I think that is the best thing about the Mellon proposition. It relieves everybody. It is a well thought out, well considered, and well constructed bill, and the relief that it brings is general. I think this is the best thing about it and the feature of it that distinguishes it from all the other so-called plans.

Mr. MURPHY. The gentleman has studied this bill very carefully. Would he give his views as to whether either the Garner plan or the Mellon plan will produce enough revenue to take care of a compensation bill for the soldiers?

Mr. TILSON. I understand that the soldiers' bonus bill is to come up later and is to be considered upon its own merits. It has not been considered up to date either from the point of view of the Garner plan or the Mellon plan.

Gentlemen, we are going to win the fight for lower surtaxes, because the economic principle for which we contend is sound and in the end must prevail. We may lose temporarily, but in the end we shall win, if not in this session of Congress then in the next session or in the next Congress, for the people themselves are going to understand this matter, and when they do I have no fear of the result. Fixing the maximum rate at an intermediate point between 30 and 50 per cent is not going to decide anything. Such a rate will do neither the one thing nor the other. It will not get all the revenue that might be gotten out of the few large incomes that happen to be caught, while, on the other hand, it will tempt none but the most daring speculator to embark upon increased productive activity. Halting now upon any intermediate ground means simply that the battle must be fought all over again. The tax-ridden people of this country have been offered a measure of real practical relief from the war burdens they have borne so patiently. If we fail to grasp it for them now, we shall be required by them to do it later. Why not seize the opportunity to do it now and thus keep abreast of instead of lagging behind the will of the people? [Applause.]

Mr. CONNERY. Mr. Chairman, will the gentleman yield?

Mr. TILSON. Yes.

Mr. CONNERY. Do I understand the gentleman to say that with a 50 per cent surtax it is difficult to collect the tax now?

Mr. TILSON. Oh, no; I said nothing about the difficulty of collecting it at all.

Mr. CONNERY. The gentleman means that the returns are getting lower every year; they are harder to collect; that there is less revenue coming into the Government under the 50 per cent rate.

Mr. TILSON. There is less revenue coming into the Treasury from the high brackets, but I said nothing about the difficulty of collecting it. The figures show that there is less revenue coming in.

Mr. CONNERY. Originally the tax was 65 per cent, and we had more money coming in under the 65 than under the 50 per cent.

Mr. TILSON. Originally it was 10 per cent.

Mr. CONNERY. I mean under the 1921 law.

Mr. TILSON. Let us go back a little further. Originally it was 10 per cent, and we got just about as much money under the 10 per cent as under the 65 per cent.

Mr. CONNERY. But under the 65 per cent they got more than under the 50 per cent, and now it is desired to bring it down to 25 per cent, probably guaranteeing that will not get anything.

Mr. TILSON. Oh, not at all. In my judgment, as soon as financial matters readjust themselves we shall get more at 25 per cent than we do at 50 per cent. In my judgment, if we wish to get a maximum of revenue and at the same time with

less disturbance of business, I believe that we shall eventually go to about 20 per cent, with about a 5 per cent normal tax. In my judgment, that would be about the best revenue producer that we could possibly enact.

Mr. NEWTON of Minnesota. Mr. Chairman, will the gentleman yield?

Mr. TILSON. Yes.

Mr. NEWTON of Minnesota. I got the impression from the question just propounded by the gentleman from Massachusetts [Mr. CONNERY] that there is less money being gathered in under the present surtax than during the last year of the 65 per cent tax. My impression is to the contrary, that there is more under the 50 per cent than we got in under the 65 per cent.

Mr. TILSON. Of course, many of those in the higher brackets have been gradually dropping out. As I said earlier in my remarks, they have dropped down from something over 200 who were paying on over \$300,000 to 21.

Mr. NEWTON of Minnesota. That would decrease the revenue.

Mr. TILSON. The revenue from the high brackets has been going down like a toboggan. It is going down every year. There is no dispute about that.

Mr. WURZBACH. Mr. Chairman, will the gentleman yield?

Mr. TILSON. Yes.

Mr. WURZBACH. It is my present intention to vote for the Mellon or the Coolidge plan, especially the 25 per cent surtax. I have heard that the parliamentary situation will be such that those believing in the 25 per cent surtax will not be given an opportunity to vote on that proposition. Does the gentleman know anything about that?

Mr. TILSON. I can not enlighten the gentleman on the parliamentary situation at all. I have not gone into this matter at all.

Mr. GREEN of Iowa. If the gentleman from Connecticut will permit, the gentleman from Texas is entirely wrong about that. The 25 per cent is in the bill at the present time and it does not require any vote on that to keep it there, except to vote down all of the other propositions to take its place.

Mr. WURZBACH. I have understood that a proposition of 35 per cent will be submitted, that an amendment will be offered to the committee bill providing for a 35 per cent surtax. I have been told further that if I vote against that amendment it will automatically prevent me from voting against the Garner plan.

The CHAIRMAN. The time of the gentleman from Connecticut has expired.

Mr. GREEN of Iowa. Mr. Chairman, I grant one minute to the gentleman from Texas, with the permission of the other side.

Mr. WURZBACH. Mr. Chairman, I would like to know whether I would have to vote against the 35 per cent amendment in order to show my preference for the 25 per cent tax?

Mr. GREEN of Iowa. There is no other way that I know of. When you have the rate in the bill, you must vote against any change in it in order to manifest your desire to keep it in the bill.

Mr. WURZBACH. Is it a fact that if I vote against the 35 per cent amendment and my vote helps to defeat that amendment, that then the Garner plan will go into effect?

Mr. GREEN of Iowa. Oh, no.

Mr. GARNER of Texas. The Garner plan can not go into effect unless it be adopted.

Mr. WURZBACH. The next vote would be taken on that? We will be given an opportunity to vote on the 25 per cent plan.

Mr. GARNER of Texas. The gentleman will be given an opportunity to vote on every amendment that is offered. If the gentleman will vote down all amendments offered to this bill, he will then be voting for the 25 per cent proposition.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. WEFALD. Mr. Chairman, I would like to ask the gentleman from Connecticut a question.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. WEFALD. I ask that he be given an additional minute.

The CHAIRMAN. The time is in the control of the gentleman from Texas and the gentleman from Iowa.

Mr. OLDFIELD. Does the gentleman from Minnesota want 10 minutes?

Mr. WEFALD. No; just one additional minute, so that I may ask the gentleman from Connecticut or the gentleman from Iowa one question.

Mr. GARNER of Texas. The gentleman from Iowa [Mr. GREEN] has time.

Mr. OLDFIELD. I will yield to the gentleman two minutes to ask the gentleman from Iowa a question.

The CHAIRMAN. The gentleman from Minnesota is recognized for two minutes.

Mr. WEFALD. I understood that the number of taxpayers who had been paying taxes on an income of \$300,000 a year had been very greatly reduced.

Mr. TILSON. That is true.

Mr. GREEN of Iowa. Yes.

Mr. WEFALD. I would like to ask the gentleman if the intention of the representatives of the American people is again to greatly increase the number of those who will have \$300,000 incomes?

Mr. GREEN of Iowa. I believe I do not understand the gentleman's question.

Mr. WEFALD. That is a plain question.

Mr. OLDFIELD. Mr. Chairman, I yield 20 minutes to the gentleman from Missouri [Mr. HAWES].

The CHAIRMAN. The gentleman from Missouri is recognized for 20 minutes.

Mr. HAWES. Mr. Chairman and gentlemen, following that fatal day in July, 1914, when Europe seemed to go crazy and engaged in a great war, destroying lives and property and democracy, our Nation looked on, hoping to remain out of it and believing that the time would come when it could reach its helping hand across and bind up some of the wounds and bring help to that distressed country. But after a while we found that international law was being violated and destroyed, our ships were sunk, our citizens were killed; and the great American Nation entered the war, and when it entered it entered unitedly.

There was no question of the Republican Party or the Democratic Party, and our great war chief, President Wilson, called upon the Republicans and upon the Democrats, and they both responded. This Congress passed laws of an unusual character. They were war measures. We entered into that war without knowledge of whether a man was a Republican or whether he was a Democrat, or what his religion was, or his race or ancestry. The whole people united, and the most extraordinary requests were made upon Congress, and both sides yielded. They forgot their partisanship, and with that united spirit we won the war.

Now the war is over. We can never properly recompense those who lost their lives, those whose blood was spilled, or those who had their bodies maimed. We can not do it in our time, nor can our children or our grandchildren. That is one thing that we can never do, excepting an expression of gratitude and an expression of love.

Now, this great struggle entailed not only a calling forth of man power and patriotism but it caused the expenditure of enormous sums of money, for food, in loans, for munitions, until we had created a great war bill of \$22,000,000,000.

Now Congress for the first time is asked to take the first important step to bring us back to the conditions that prevailed before the war, back to the times of 1916; and it seems to me that the same spirit that animated the Nation, the same spirit that animated the House and the Senate at that time should prevail in our return to times of peace. In trying to dispose of this \$22,000,000,000 of indebtedness it should not be a partisan question. [Applause.] The people of the country are entitled to have the benefit of the best brains that the 435 men of this House can give upon this subject of the return to peace, just as they had the benefit of that united intelligence in preparation for war and in the conduct of the war.

We picked up the papers not long ago, some three months ago, and we were all delighted to find that the first understandable practical problem had been presented to us in a quick return to the conditions of peace. That was the statement of the Secretary of the Treasury that the time has come which would justify a reduction of the national tax burden of \$300,000,000.

It is unnecessary to say that from every place there came a very glad acceptance of these pleasing tidings; and now we are called together to exercise the functions of this House in assisting to determine how that tax reduction should be brought about. And it seems to me that it ought to be decided by the united intelligence of this House without the question entering into the matter of whether a man is a Democrat or a Republican or a Socialist, so that the 6,500,000 citizens who are affected by this tax should have the benefit of their united intelligence in solving their problem. We must always remember that while we have 110,000,000 of people, the income-tax burden falls upon only 6,500,000 of that number.

I have not the time here to discuss the burden of a tariff tax. That is another subject. But I believe that the men who do pay those income taxes, part Republicans, part Democrats,

and only a few Bolsheviks, should have the benefit of the united intelligence of us all.

When Congress convened we were soon confronted by four different plans. One of these was called the Mellon plan, and, so far as I am concerned, it might just as well be called the "Watermelon plan," because there is nothing in a name; it is in the plan proposed. And there was another plan called the Green-Mellon plan, a combination of the two. It has been suggested that possibly a bright sun and fresh air might ripen that Green-Mellon plan into some luscious fruit that would be edible and acceptable. Then we have the Garner plan; and the Garner plan, it is said, was not for the purpose of garnering flowers and fruits, but rather a plan to garner thistles and thorns, to the discomfiture of the Green-Mellon plan. In fact, it has been stated that this was not a Green-Mellon plan, but that it was a Paris-Green-Mellon plan, with poison in it. And the fourth plan is that proposed by the gentleman from Wisconsin [Mr. FREAR], which is now come to be known, not as the Frear plan, but as the "Fear plan." It is the "Fear plan" because it holds the ballots. It holds the threat. It is the bucking broncho, jumping this way and that way, to determine for the whole House what the whole House is to do. So the people must choose between these four plans.

Mr. MURPHY. Will the gentleman yield?

Mr. HAWES. Yes.

Mr. MURPHY. While the gentleman is discussing these various plans of taxation I am anxious to know what his opinion is as to the revenue which will be derived from any of the four plans. Will it be sufficiently large to care for the soldiers' adjusted compensation bill?

Mr. HAWES. My friend, I do not know, and there is nobody in this House who knows. The best information that can be given to you on that subject is a guess, and back of that guess will be a lot of bunk. [Laughter.]

Mr. MURPHY. I thank the gentleman for his frankness.

Mr. HAWES. Now, I do not desire to go into the whole subject of taxation or discuss these various schedules, but it has occurred to me that there is dispute, and radical dispute, on one portion of the program, and that is the portion that relates to the surtax. Personally, if the liberty of voting as I wish to vote were accorded me, I should vote for the Mellon plan or I should vote for the Frear plan, one of the two, because the Green-Mellon plan and the Garner plan, in my opinion, would not effect the result which is sought to be obtained, and that is increasing the volume of revenue which that surtax would bring the Government and decreasing the attractive power of the purchase of tax-exempt securities.

Mr. LONGWORTH. Will the gentleman yield?

Mr. HAWES. Yes.

Mr. LONGWORTH. Just what does the gentleman mean when he says if the freedom of voting were granted him?

Mr. HAWES. The gentleman is so unkind in his partisanship that he is asking me, a man demanding fair play, to disclose my hand. [Laughter and applause.]

But yesterday an issue was raised, an issue of fact, clean-cut and unavoidable. The gentleman from New York [Mr. MILLS] stated that the Garner plan would reduce our income approximately \$620,000,000, which would create a deficit of \$300,000,000 in our annual revenue. When asked how such a vast difference could exist between one plan and the other, he stated that the basis of Mr. GARNER's plan was given to Mr. GARNER by Mr. McCoy, of the Treasury Department, and the basis on which he figured the deficit came from the same man, and that same man had been employed by the Treasury Department since 1913 and had been the official adviser of the Wilson administration, of the Harding administration, and of the Coolidge administration.

Asked how he could explain this difference, he said that Mr. GARNER's figures were based on tax returns for 1921 and that his figures, compiled by the same man, were based upon an estimation of the tax returns of 1923. Now, both figures having been furnished by the same man in the same department of the Government, I hope that the friends of the Garner plan and the friends of the Mellon plan—because there is a difference between the Mellon plan and the Green-Mellon plan—will try to enlighten the House as to who is right.

Mr. GARNER of Texas. Will the gentleman yield?

Mr. HAWES. Yes.

Mr. GARNER of Texas. The gentleman does not state the figures exactly, but that does not make much difference. The estimate of Mr. McCoy, based on an estimate for 1927, was \$510,000,000 less of revenue under the Garner plan, so called, and \$222,000,000 under the Mellon plan. I asked to-day, and have asked a number of times, to be given an estimate for 1924, which will be \$100,000,000 more in revenue under the Garner

plan than under the Mellon plan. I explained it to the committee this morning and I am sorry the gentleman was not here to hear the explanation.

Mr. HAWES. The gentleman from Texas will admit that either his figures are wrong by \$300,000,000 or that Mr. Mellon's figures are wrong by \$300,000,000.

Mr. GARNER of Texas. No; not at all.

Mr. HAWES. Why not?

Mr. GARNER of Texas. I will say to the gentleman from Missouri that the difference in the estimates made upon 1921 under the Mellon plan and the Democratic plan was \$47,000,000. The figures are now in the Record, placed there by me. The difference in the estimate made by Mr. McCoy for 1927 is \$510,000,000 less under the Garner plan as against \$222,000,000 under the Mellon plan.

Mr. HAWES. I will say to the gentleman that I did not so read the Record this morning.

Mr. GARNER of Texas. That is what is in the Record. There have been two estimates made. One was based on 1923, comparing the plans, and the difference was \$47,000,000 between the normal tax and the surtax in favor of the Mellon as against the Garner plan, and the revenue, based on the 1923 returns as applicable to 1927, makes a difference of \$510,000,000.

Mr. HAWES. The Record this morning distinctly said, if I understand the English language—and I heard the gentleman's speech—that the Garner plan would create a deficit of \$300,000,000.

Mr. GARNER of Texas. In 1927.

Mr. HAWES. I did not get that.

Mr. GARNER of Texas. The gentleman will have to read the Record again.

Mr. TILSON. On what basis does the gentleman from Texas continually repeat 1927, when the language of the estimate is just as plain as can be by saying the second year after it goes into effect. Now, if the bill goes into effect in 1924, the second year is 1926, and I have so understood it. I do not know what ground the gentleman from Texas has for continually saying it is 1927.

Mr. HAWES. May I respectfully suggest that I have the floor?

Mr. GARNER of Texas. I appreciate that, but I would like to state that the statement made by me is borne out by the Record this morning, as the gentleman will ascertain if he will refer to it. Let me read this from yesterday's Record:

Estimated effect upon the revenue of the proposed changes in the individual income tax law, upon the base of returns for the second year after the law is in full effect.

When would the law be in full effect? If it is passed in June of this year it would be in full effect in 1925.

Mr. TILSON. No.

Mr. GARNER of Texas. The gentleman can not draw any other conclusion than that it would be in full effect in 1925, the calendar year 1925, and the second year after the law is in full effect would be 1927.

Mr. HAWES. Mr. Chairman, the gentleman from Texas and the gentleman from Connecticut have had this fight going on for three weeks, and I would like to have five minutes.

Mr. GARNER of Texas. I merely wanted to put the gentleman right in reference to the estimate.

Mr. HAWES. I was not inviting a contest between the gentleman from Texas and myself; I was simply clearing the arena for a controversy between the gentleman from Texas and the gentleman from New York.

Mr. GARNER of Texas. Go ahead; I am ready for it.

Mr. HAWES. Now, gentlemen, I understood the gentleman from New York [Mr. MILLS] to say that the plan of Mr. GARNER would create a deficit of \$320,000,000. I thought I might have misunderstood him and I asked him personally and he told me that was correct. I suggest in to-morrow's debate the House be thoroughly enlightened on both of these plans, so that there may be no deficit and no trouble created in the future.

There is one portion of the Garner plan, the Democratic plan, however, that meets with my unqualified approval; in fact, most of the program does, except that I can not agree with the extremes in the matter of surtax.

The CHAIRMAN. The time of the gentleman from Missouri has expired.

Mr. HAWES. I would like to have some of the time consumed by the chairman of the Ways and Means Committee and one of his associates.

Mr. GARNER of Texas. Would five minutes be sufficient?

Mr. HAWES. Yes.

Mr. GREEN of Iowa. I will yield the gentleman five minutes.

Mr. GARNER of Texas. Then you yield him five minutes, because I am scarce of time.

The CHAIRMAN. The gentleman is recognized for 10 additional minutes.

Mr. HAWES. Five minutes will be sufficient.

That is the difference between the Garner plan and the Green-Mellon plan—35 per cent reduction on earned incomes.

The men who give long years to the development of the skilled use of their muscles, or long courses in college for the scientific use of their brains, are entitled to have consideration given for these periods removed from the productive portion of their lives, and then, as these men and women approach the period of old age and their incomes stop, their muscles slacken and their brains become less alert, they are entitled to be given consideration during the "fat" years which are preceded by the "lean" years of preparation, and the "lean" years which come with age.

This big reduction in earned incomes is, in effect, a species of old-age pensions, and its equity is further demonstrated by the fact that if the earned income so accumulates that it then takes the form of investment, and these investments procure another income upon the investment, then the Government will take its share in the form of taxes upon the income of the investment. But the Government's hands should be halted, and it should be restrained in taking from the work of the brain and brawn of our people.

Mr. Chairman, it is reported that the House will devote three weeks to a discussion of this measure, and this debate will be participated in by men of far greater ability than myself, with better-trained minds. May I ask now that particular and specific attention shall be given to the statements made yesterday by the gentleman from New York [Mr. MILLS]?

He stated in a very confident manner that the so-called Garner plan would reduce the income of the Government \$620,000,000, which would leave a deficit in our Treasury of \$300,000,000.

This is a startling statement, and when asked for an explanation the gentleman from New York said that the variance between the Garner plan and the Green-Mellon plan arose from the fact that a Government expert in the employ of the Treasury Department since 1913, and who had served with distinction under the administration of President Wilson, during the administration of President Harding, and now under the administration of President Coolidge, had prepared the estimates upon which he based his conclusions and on the estimate upon which Mr. GARNER had based his conclusions; that he was, in fact, the expert upon whom both the proponents of the Green-Mellon and the Garner plans relied.

The gentleman from New York sought to explain the threatened deficit of \$300,000,000 by the further statement that the Garner plan was based upon estimates upon the returns of 1921 and that the Green-Mellon plan was based upon the estimated tax of 1923.

This seems to present two irreconcilable statements of fact. One of two things is undoubtedly true: Either Mr. MILLS is wrong to the extent of \$300,000,000 or Mr. GARNER is wrong to the extent of \$300,000,000.

At the end of a year everyone in the United States will know which one is wrong, but that will be too late. We can not wait for a demonstration. We should know now, and I hope that for the enlightenment of the House and the Nation the friends of both plans will further enlighten the House upon this very important difference of opinion.

Mr. Chairman, had I the poor privilege of expressing my own individual judgment in the matter of surtaxes I would have voted for the 25 per cent tax or the 50 per cent tax, because the rates proposed in between are pure guesswork and do not seem logical or persuasive. [Applause.]

Mr. GREEN of Iowa. Can the gentleman use some more time on that side?

Mr. COLLIER. I think we can use some later on.

Mr. GREEN of Iowa. Does the gentleman wish that I should move the committee do now rise?

Mr. GARNER of Texas. It seems that nobody here is prepared to go on.

Mr. GREEN of Iowa. I will have to say to the gentlemen that I have been very liberal in the matter of time and in waiting for them, and I can not give time under the five-minute rule to gentlemen to say things which they might just as well say at this time, when we are here in session.

Mr. GARNER of Texas. I will say to the gentleman that we have used more time than the gentleman from Iowa, if he wants to put it on that ground.

Mr. GREEN of Iowa. So far as my side is concerned, I will do my best, and I think I will be able to hold them down.

Mr. GARNER of Texas. I will say to the gentleman from Iowa that we will be compelled to get through by 4 o'clock Monday, so there is no accommodation to be had in the premises. I would suggest to the gentleman, however, that we meet at 11 o'clock to-morrow for the purpose of utilizing the entire day.

Mr. GREEN of Iowa. I have a speaker on his way here.

The CHAIRMAN. The Chair might suggest that we can read the bill.

Mr. GREEN of Iowa. Mr. Chairman, I move that the committee do now rise.

The CHAIRMAN. The gentleman from Iowa moves that the committee do now rise.

The question was being taken, when Mr. GREEN of Iowa demanded tellers.

The Chair appointed Mr. GREEN of Iowa and Mr. COLLIER as tellers.

The committee divided; and the tellers reported—ayes 2, noes 30.

So the motion to rise was rejected.

Mr. GARNER of Texas. I yield 15 minutes to the gentleman from Illinois [Mr. ARNOLD].

Mr. ARNOLD. Mr. Chairman and gentlemen of the committee, there is no question of greater concern before the American people to-day than the question of taxation. Federal, State, and local taxes have been mounting higher and higher in recent years until the burden of the people has become almost unbearable. The country is groaning under its load of taxation as never before, and the eyes of the whole people are now turned toward this Congress, anxiously awaiting the result of our deliberations to bring a measure of relief to the people.

With the greater portion of these taxes, State and local, we can give the people no relief. They must look to the local agencies for their relief along this line. As local taxes are raised principally by direct taxation, and as the power to levy and collect taxes carries with it the power to confiscate and destroy property, the local tax situation is of far greater concern to the masses of the people than the Federal income tax. The country realizes all too well that while Federal income taxes affect incomes alone and not the corpus of the property, it also realizes that the burdens of Federal taxation through our income-tax system are entirely too great and not properly distributed under the existing law.

It is fundamental that a genuine tax reduction, Federal or local, can not be realized to any appreciable degree without a corresponding economy of expenditures, both in the Federal Government and in State and local activities. There seems to have developed during the past few years an orgy of spending and extravagance in Federal, State, and local government that is alarming, and unless curbed in some manner the very existence of free government will soon become a matter of speculation and conjecture. Neither the National Congress nor the State legislatures can so legislate to bring about substantial reduction in the face of demands of the people for governmental and municipal activities requiring vast expenditures of money. Economy, like charity, should begin at home, and the people have a right to demand and are demanding more rigid economy in all governmental affairs. Waste and extravagance are no longer tolerated. The people of to-day realize more than ever that a public office is a public trust and are demanding of their servants a strict accounting of their stewardship as never before.

That some measure of relief will be granted in this Congress so far as Federal income taxes are concerned is assured. That the Members of this Congress on both sides of the aisle are in accord as to the necessity and advisability of income-tax reduction is beyond question. The only question upon which some of us here disagree is as to the amount of reduction that should be applied to the various brackets in the scale from the lowest to the highest to distribute the burden most equitably and at the same time raise the funds necessary for governmental activities. The bill now before us for our consideration submits to us a schedule of rates to which I can not subscribe. There are some things of merit in this so-called Mellon plan to which I can subscribe, especially many of its administrative features and its features repealing certain special taxes, but with its schedule of normal and surtax rates and its exemption features I am not in accord.

As to the provisions of this measure which are to me meritorious and for the best interest and the common welfare and prosperity of the American people, I am willing to join hands with the gentlemen across the aisle and assist in writing them on the statute books. As to the other provisions, which, to my mind, seem unfair, inequitable, and unjust, and not in

accord with justice and the welfare and the best interests of the American people, I shall resist to the best of my effort and ability. I have but one object in view in dealing with this question of taxes, but one motive, and that is the general welfare of the American people, and all that I shall say and all that I shall do will be directed to that end, without fear of the propagandists and without favor to any man or set of men or to any interest or set of interests, be they affected beneficially or adversely, without desire to punish, but with the sole desire to relieve as far as possible in accordance with the principles of equity and good conscience.

At the outset of the consideration of this measure—yes; before the matter was up for consideration by this Congress—an insidious propaganda emanating from certain quarters, the like of which the country never before experienced, a far-reaching, deep-seated, smooth-running, well-directed propaganda was turned loose on the American people and this Congress.

This bill was not made public until December 28 last. Prior to that time its provisions had been carefully guarded and the public had no means of knowing its contents until it was made public through the regular channels for consideration by this body. The unfortunate thing for these propagandists is the fact that, while the machinery was all set to stampede the country and this Congress into swallowing it whole, to be released immediately upon the presentation of the bill to the Ways and Means Committee, somebody erred, somebody touched the button a little too soon and upset the well-laid plan to rush public opinion and stampede this Congress into signing on the dotted line. The propaganda was released about a week in advance, and it is now acting as a boomerang and returns with a well-directed slap in the face of its proponents. The press of the country carried this propaganda couched in language calculated to mislead, with its true purposes carefully concealed. The people were led to believe that this so-called Mellon plan was a panacea for all ills in our National, State, and domestic life, carefully worded and handled in such way as to create in the minds of the people an entirely false impression of many of its provisions. So well was this plan worked out that I received letters from people in my district—and I know that other Members of this body had a like experience—in which some of the people, through this carefully wrought-out propaganda and concealment of true conditions, actually had the idea that this so-called Mellon plan reduced their local and municipal taxes. I received hundreds of letters dated all the way from December 14 to December 18 in which people I did not know, had never heard of, who did not reside in my district, some not in my State, but who resided in the big industrial centers where big business sits enthroned, addressed me as their dear Congressman, referring to themselves as my constituents, insisting that I support the Mellon plan in its entirety. These men were careful to conceal their identity by writing their letters on plain letter paper, sealed, and addressed in envelopes which carried no return by which their identity might become known, letters written on the same identical paper, word for word in composition, paragraphing, and punctuation, without variance of any kind and which could not have been the honest, intelligent expression of individual thought. I selected some of these letters at random and replied to them, with a view to learning something of the identity of the writers. I will read a copy of one of my replies to this propaganda, omitting the name and address:

MY DEAR SIR: I received a letter from you under date of December 19. I do not know you and never heard of you before. The letter is written on plain paper without any letterheading and I am unable to tell what business you are engaged in, or what your association or affiliation may be.

Will you kindly advise me what agency or interest prompted the writing of the letter and what your association or affiliation is in the business world? I have received a number of letters, presumably from the same source, but without any indication of the organization prompting this letter writing, wherein the identity of the writer in the business world is concealed.

I will thank you for an early reply. I want to get right on all these public questions and you will doubtless see that I would be interested in knowing the source from which these recommendations come.

I supposed I would receive the courtesy of a reply, but up to the present time none has been received, and I think it is safe to say at this late hour none will be. There is but one of two conclusions which can be reached from the failure to reply to these letters. One is that the letters themselves were spurious and written without authority, and the other is that the promoters of this propaganda did not want Congress or the public to know of their activities in this connection.

I think you will all agree with me that if we know the men or interests who are back of a proposition we are much better enabled to approach that proposition with a view to a correct solution. It means but little to a man of ordinary intelligence to have expressions from individuals whom he does not know or never heard of, when he strongly suspects that back of those individuals, concealed from public gaze, are men and interests with an ulterior motive directing the activities. In such cases I at least want to take a peep behind the scenes and see and know the power behind the throne. I want to pierce the smoke screen that is carefully laid for the purpose of concealing the motives of the forces behind the screen.

I believe that the great masses of the American people are the ones who are entitled to our first consideration. I do not believe that the prosperity, welfare, and glory of the American Nation depend upon the number of ultra rich within our borders. I do not believe that the prosperity, welfare, and glory of the American Nation depend upon hoarded wealth in the hands of a few. I believe that the prosperity, welfare, and glory of the American Nation depend upon the peace, happiness, and prosperity of the great masses of our people, and not upon the realization of the ambition of those whose object in life is to amass great fortunes. I have no quarrel with riches; I have no quarrel with the accumulation of wealth. It is a worthy ambition of any individual to seek to acquire riches, and no man should be censured simply because he has amassed wealth or seeks to acquire wealth, but when men of great wealth seek to evade the laws of the land, when they seek to divert to themselves unjustly the fruits of others, when they seek to avoid the responsibilities they owe their Government of a conscientious and sincere desire and effort to respect and maintain inviolate the laws of the land, when they seek to avoid their obligations of contributing to their country's support in conformity with the justice and spirit of the laws of the land, when they seek to wield their power of wealth to gain undue advantages over their fellow men, they are deserving of no more consideration by reason of their wealth and power and influence than any other nonconformist with law and order, and should be dealt with in the same manner.

It has been charged here on this floor that unless surtaxes are reduced to a 25 per cent maximum men enjoying incomes in the higher brackets would evade taxation. Rates proposed by the minority members of the Ways and Means Committee and approved by the Democratic Members of this House were referred to by no less a personage on the floor of this House the other day than the distinguished majority leader as "shadow taxes." If it is possible to evade a 50 per cent maximum surtax, men will likewise evade a 25 per cent maximum. I do not believe a sugar-coated surtax at any rate will be a revenue producer. If evasion and subterfuge can be resorted to by those enjoying incomes in the higher brackets to evade taxation on the theory that high surtaxes are mere "shadow taxes," then we had just as well admit our inability to handle the situation and concede that men of wealth enjoying big incomes are more powerful than the Government itself.

If men should respect and obey such laws only as suit their convenience or meet their approval and violate laws which do not suit their convenience and meet their approval, what an unfortunate condition would exist. No law was ever placed upon the statute books that suited everybody. Every law is a limitation in some way on human activity. The very essence of the American principles of government is obedience to law by all alike; and any conception of government that men should obey and respect only those laws that suit their convenience in a free government leads to but one end, and that is the downfall of free government.

A speech was delivered on the floor of this House on the 24th day of January last by the distinguished gentleman from New York [Mr. MILLS]. I realized he was voicing the sentiment of what is generally considered in this country as big business. I realized that his speech was well considered and deliberately delivered. Every word and sentence weighed. After quoting from Professor Adams, of Yale, to the effect that corporations could not stand a 50 per cent tax, he used these words:

If a corporation can not stand a 50 per cent tax, neither can the individual business man. He can not stand it; he will not stand it; he does not stand it.

It was not the plea that the tax was unjust that impressed me. It was the ring of defiance to constituted authority. I wondered if I could have been mistaken at the import of these words. Since then I have carefully read the speech of the gentleman printed in the Record, and I find I was not mistaken in the words used nor the general tenor of the speech. The

only logical conclusion I could draw from the speech and the words used was that big business would submit to law and constituted authority so long only as law and constituted authority met with its approval. "He can not stand it; he will not stand it; he does not stand it." In other words, he will evade the law, legally if he may, by subterfuge if convenient, unlawfully if necessary. It is the civic duty of every patriotic American citizen to respect and obey the laws of the land without equivocation or evasion, with a conscious desire to respect and obey the laws in spirit and in truth and not through fear of the application of its penal provisions.

The Constitution provides that all laws for raising revenue should originate in this body. Here we have the spectacle of a law for the raising of revenue originating in the office of the Secretary of the Treasury, an officer in one of the executive departments of this Government, ratified and approved by the Chief Executive of the Nation and given to this body, which is charged by law with the duty of originating legislation, with a command to this body that it must be taken as a whole as presented without the dotting of an "i" or the crossing of a "t." I invite the counsel and advice of others. I reserve the right to do my own thinking and the right to reach my own conclusions and the right to operate in my own sphere of action, and I grant to every other man the same right that I claim for myself, but no greater right.

We were told to accept the views of the Secretary of the Treasury, and an attempted backfire was built up throughout the country to force and coerce this Congress to sign on the dotted line by the most insidious and widespread propaganda that has ever been undertaken to force legislative procedure. When we consider the fact that Mr. Mellon is the "high priest" of special privilege I want at least to have the right to inquire into some of the motives that prompt not only his recommendations but his demands. He is being heralded throughout the country by these propagandists as the master mind of the age whose every wish should be heeded without question and without qualification.

Mr. BLANTON. Would the gentleman mind an interruption?

Mr. ARNOLD. I yield.

Mr. BLANTON. Some of these people who have written to me insisting that I support the Mellon plan when I have replied and sent them the two plans, the Mellon plan and the Garner plan—and only this morning I received numerous replies from such people—stated they were led through error to write the Literary Digest in favor of the Mellon plan, and that now since they understood the two plans they are in favor of the Garner plan. Do you not suppose that if most of these people who have honestly written us really understood the two propositions most of them would be in favor of the Garner plan?

Mr. ARNOLD. There is no doubt about it, and there is no doubt but that there is an entirely different view coming in from the country generally now, since the people of the country see that there is at least another plan, and they are beginning to realize that that other plan is a much better plan than the plan we are asked to swallow by the Secretary of the Treasury. [Applause.]

Mr. EAGAN. And that notwithstanding the fact that the Garner plan has had very little publicity as compared with the Mellon plan.

Mr. ARNOLD. That is true.

They would have us believe that any man who does not subscribe to his theory and to his ideas and doctrines is a political demagogue and unworthy of trust and confidence by his fellow man; that Mr. Mellon has a halo of wisdom and righteousness resting on his brow and is free from all semblance of political bias or prejudice, with a magnanimous heart and soul whose every thought is in the interest of humanity and whose every motive is directed to the welfare of the masses of his countrymen; that his word should be taken and accepted as final, from which there is no appeal.

I am willing to follow Mr. Mellon so far as in my judgment his ideas are in conformity with the best interests of the masses of the American people, but I deny to him or to any man the right to do my thinking for me and decline to follow him blindly into the byways he seeks to lead us. Realizing as I do his association and connection in the business and financial world, I submit that his viewpoint is not the viewpoint of the masses of the American people, upon whose welfare and prosperity depend the welfare and prosperity of the Nation and the perpetuity of our American institutions. The responsibility for this legislation rests upon our shoulders. We are responsible to our constituents, to the country, and we can not shift the responsibility, we can not evade it. Here we have for the

first time in American political history to my knowledge a revenue bill formulated by the Secretary of the Treasury, an officer of this Government holding a responsible executive position, sent to this body with the command that we swallow it whole without alteration or deviation. But I would have no objection to that alone if in my judgment it was meritorious throughout and to the best interests of the American people.

We are all in favor of tax reduction; everybody knows it; the country knows it, but we on this side of the Chamber do not believe that the proposed plan of Mr. Mellon is the only plan for tax reduction, or that it is the best plan for tax reduction. All taxes are a burden. If it were possible to avoid taxes entirely, it would be very pleasing to all, but we know that can not be done; we know that it requires money to run the Government and to maintain its various activities, and we further know that money paid in conducting and maintaining the affairs of Government is the best investment the American citizen could make. I am speaking of the judicious and economical administration of government, of course. Every dollar that is not judiciously and economically spent in the conduct of government affairs is not only not an investment but profligate waste. What we have to deal with here is the equitable apportionment of that burden, and that apportionment is most equitable where it is made to fall upon those most able to pay and to rest most lightly upon those least able to pay, viewed from an economic and social standpoint. You will find the Democratic plan meets this test.

I do not say big business should be unjustly penalized by high surtaxes, I agree that no business should be unjustly penalized.

The Treasury figures available from the 1921 report, the latest available, show that the total gross income of all classes is \$23,328,781,932. The total gross income of all classes up to and including the \$40,000 bracket is \$21,611,964,043.

The volume of income reflects the business of the country, and shows that of the total volume of business of the country, \$21,611,964,043 is produced by men enjoying incomes from the \$40,000 bracket down, while but \$1,716,807,889 gross income is reported by the men having incomes above the \$40,000 bracket. The backbone of the industrial and commercial life of the Nation is the men whose income is in the lower bracket.

The total number of people making income-tax returns for the year 1921 is 6,650,695. Of this total number making returns for that year, 6,641,262 are benefited more by the Democratic plan than by the Mellon plan, and but 9,433 of the total number of income-tax payers of the country are benefited more by the Mellon plan than by the Democratic plan.

I submit to you that the proposed Democratic plan, which provides a greater reduction in taxes than the Mellon plan on all incomes below the \$53,000 bracket, within which is by far the greater volume of the country's business, the best interest of the country from a business standpoint demands the adoption of the Democratic plan. This plan from top to bottom submits a schedule of rates that is below the present existing rates applying to every class of income-tax payers, and in addition to giving greater relief to 6,641,262 taxpayers than the Mellon plan, it necessarily follows both from the standpoint of the business interests of the country and the greatest good to the greatest number it should be adopted.

In the State of Illinois the total number of people making income-tax returns for the year 1921 was 611,558. Of that whole number but 857 are benefited by the Mellon plan more than by the Democratic plan, and 610,701 making income-tax returns for the year 1921 in the State of Illinois are benefited more by the Democratic plan. If we want to foster business, then let us adopt the schedule of rates as proposed under the Democratic plan; let us increase the exemptions as proposed by the Democratic plan and let this burden fall on the people who are most able to pay and upon the class of people where it creates the least burden upon the business of the country.

They say that Mr. Mellon is prompted only by the highest motives of patriotism and is wholly devoid of political bias or prejudice. I want to call your attention to the fact that in December, 1922, Mr. Mellon predicted a deficiency of \$650,000,000 for the year ending June 30 last. At the close of the fiscal year 1923 that deficit by his own statement turned out to be a surplus of \$313,000,000, a difference of almost \$1,000,000,000 in the interval of time from December to the following July. I know his first figures were but an estimate and any man is liable to err, but when we take into consideration the fact that he is the sworn foe of adjusted compensation for the ex-service men who made possible his unprecedented prosperity and the prosperity of those whom Mr. Mellon here seeks to

make secure in their ill-gotten gains, and it was deemed advisable for him to formulate an excuse for President Harding to veto the adjusted compensation bill that was passed by the last Congress, he did not hesitate to make use of political expediency available at that time to justify a veto by predicting a deficiency of \$650,000,000 for the fiscal year ending June 30, 1923. After that crisis was passed, after he had accomplished his purpose and defeated the soldiers' bonus, then to make himself appear to the country as the wielder of the magic wand, he reports to us a surplus of \$313,000,000. That was a preliminary step, a paving of the way, preparatory to presenting this present tax bill, wherein he seeks to have the surtaxes reduced to the minimum, by which he and his favored few will be the chief beneficiaries. I submit to you, gentlemen, his estimates are figures of convenience. I submit to you in all candor and fairness that the halo of wisdom and sincerity sought to be placed upon his brow can find no resting place there, and that his present estimates in connection with this pending measure are entitled to no greater weight than his predictions as to the Treasury's solvency when he sought the defeat of adjusted compensation. His judgment having proven most fallible in former instances, when it best served his interest, is not infallible now, when he has greater interests to serve.

Mr. GREEN of Iowa. Mr. Chairman, I yield to the gentleman from Missouri [Mr. MANLOVE] such time as he may desire.

Mr. BLANTON. Mr. Chairman, how long are we going to run this afternoon?

Mr. MANLOVE. If I am the last speaker, I will make it very brief, I will say to the gentleman from Texas.

Mr. MANLOVE. Mr. Chairman and gentlemen of the House, in view of the fact that I am a new Member, I wish to especially thank the distinguished chairman of the Ways and Means Committee, Mr. GREEN of Iowa, for granting me unlimited time. However, I shall present my argument as briefly as possible.

I am neither a tax expert nor a political economist. I come from a district where men and women indulge little in theories or day dreams. They apply workable principles to business.

Many interesting descriptions have been given here of the life and industries peculiar to different sections of our country. I have indeed been interested in listening to the men who represent the sunny South; those whose interests lie in the spinning-wheel sections of New England; in the coal regions of Pennsylvania; the furnaces of the Alleghenies; the coke ovens along the Monongahela; the steel mills of Indiana; the vast wheat acreage of the great Northwest—and to the wonderful story of industry and enterprise out where the waters of the Pacific kiss our western shores.

This wholesome exchange of ideas brings us to a better understanding of the results we may hope to obtain in the practical application of any proposed legislation. So it is with the question now under discussion.

That you may have in mind the dual interests of the district which I have the honor to represent, let me tell you something of that portion of our country which has been christened "The Land of a Million Smiles." In drawing this picture, I shall endeavor to present a case which will embody the interests of agriculture, capital, and labor closely interlinked and greatly dependent upon one another.

First let me say that what little I have saved from the tax collectors is invested in land. I am a farmer. I know the farmer's problems. His interests are my interests. The value of every foot of land I own hinges upon his prosperity. One of the greatest pleasures of my life has been the realization that the pure strains of my registered breeding stock were helping to build up a better class of livestock throughout my district. I have bred, raised, bought, and sold hundreds of every kind of animal ever produced on a southwest Missouri farm. You know the schoolbooks tell us that Missouri is first in mules. Well, I've owned more of their long-eared daddies than you could put in this room. I mention this that you may understand when presenting my ideas on this tax question that I am bearing my farmer friends in mind every minute.

Southwest Missouri, with an altitude of over 1,000 feet, is a beautiful country of rich prairies, low friendly mountains, and fertile valleys. Jasper County boasts a larger citizenship than any other county in the United States which does not include a large city. This same county has more miles of hard-surface roads than any other county in America. This portion of my State is the natural home of the dairy cow, and Jasper County has more registered Jersey cattle than any other county in the United States. Lawrence County has what is probably America's third best herd of Holstein cattle, owned by the State of Missouri, for the use of the Missouri State Sanatorium, which

institution is one of the most efficient in America in the treatment of incipient tuberculosis. Lawrence County also supports a half-million-dollar milk condensery.

Barton and Vernon Counties are magnificent in wheat, corn, and other grain production, as well as rich in coal deposits. Last year our berry growers shipped \$2,700,000 worth of "Ozark quality" strawberries, a large portion of which came from the scenic and fertile counties of Barry and McDonald in the extreme southwest portion of the State. The world's largest peony fields are located at the city of Sarcoux. At Neosho, known as the "City of Springs," the Neosho Advertising Club conceived the "fellowship idea," known around the world as the "Neosho plan," copied by business men and farmers in over a thousand American communities.

More tomatoes are canned and shipped in southwest Missouri than from any other equal area in the world. Hundreds of acres set in Concord grapes help support an enormous grape-juice plant. From this section of the country come those wonderful apples, peaches, and cherries you see stamped "Ozark flavor."

Mr. GARBER. Will the gentleman tell us about the "Ozark Playground"?

Mr. MANLOVE. I should like to graphically describe this wonderland, but time will not permit. Some day I hope to have the opportunity of telling you the whole story of The Land of a Million Smiles. Later on I shall also ask permission to submit to this body some observations and ideas which I believe will work to the benefit of the farmer. For I know the gap between the price, 60 cents a pound, which I paid for the beefsteak which I took home for supper last night, and the price which my farmer friend in southwest Missouri received on foot for the steer from which it came. Let me observe, also, that notwithstanding we shipped abroad last year millions of bushels of wheat, our farmers did not receive a price therefor in keeping with that which they had to pay for the things which they purchased. For the present I shall confine myself to the subject under consideration, but I am sure that you will see before I conclude my remarks how the farmer is affected, either directly or indirectly, by the reduction of taxes asked in all classes affected by the provisions of this bill.

Not only do I have the privilege of representing this great agricultural district, but in addition, a great mining industry. My home city, Joplin, Mo., has long been recognized as the world's greatest lead and zinc center.

Years ago shallow mines were worked by men of moderate means. To-day the prospect work, development, and operation of a zinc mine requires, for the most part, large amounts of capital. This capital, to a great extent, has come from eastern cities. We have welcomed these investors with open arms. However, many of the most prominent mine operators in the Joplin district are men who started life along extremely modest paths, and through close application to business, partnerships, and fortunate undertakings have become wealthy and extensive operators on their own accounts.

In fact an extensive portion of the whole field of operation is now conducted by just such men. I have in mind one of our most popular operators, who is now not only the head of a body of mines of great magnitude but is the author of a most interesting volume recently published entitled, "From Shoveler to Mayor." This friend recently told me that if he did not get some relief from high taxes he would have to write a sequel thereto entitled, "From Mayor Back to Shoveler." [Laughter.]

Permit me to draw a little example of the steps necessary in this development work before a mine is opened and ready for actual operation. In other words, let me explain what it takes to make a mine.

With his permission I will use, for the sake of illustration, my Democrat friend, Mr. BLANTON, to represent the investor. I am informed that he is as wealthy as he is able.

Mr. BLANTON. I plead "Not guilty." I am just one of the common servants of the people.

Mr. MANLOVE. The gentleman from Texas is modest. I am half right, however. I have observed the gentleman. He is a most valuable man in the House and a bear cat for hard work. Anyway, the example: First. A tract of land is purchased or leased. Then it is prospected with a drill; oftentimes as many as 100 drill holes over an area of 40 acres. This expense may run as high as \$40,000 to the tract being prospected. Second. Assuming an ore body is located, the next step is to sink a shaft into the ore. This shaft is usually about 10 feet square and oftentimes costs many thousands of dollars. Third. The constructing of what is known as the mill, a

building in which the concentrating machinery is located. Fourth. A crew of "top" men for the feeders, crushers, jigs, and hoisters; a crew of drill men, electricians, shot firers, shovelers, and other workmen for the underground. All this is accomplished; the investor is ready for work. Sometimes great returns repay the operator for his investment; oftentimes the effort ends in failure.

The distinguished Republican whip of this House holds it against me that he made an investment in a Joplin mine which failed to properly mature into a bonanza. Though he lost in the venture, I congratulate him that he was not dabbling in oil. [Laughter.]

A large and well-equipped mine requires an investment of anywhere from one hundred thousand to a million dollars capital. We welcome the men who make these investments, because the very life of our mining fields depends upon their willingness to develop new territory and to spend large sums of money incident to the hazard and uncertainty of the venture. Their investments bring from the earth a wealth which otherwise lies sleeping, and which, without development, is of value to no one.

We are not jealous of these investors when success comes, and we sympathize with them in failure. This spirit of co-operation is shared by the brave miners who swing off into the tubs to the tune of the hoister man's bell and drop like shots to the bottom of the mines. Permit me to digress long enough to pay a tribute to these miner boys, whom I am proud to call my friends, and who had no small part in placing me in my seat in this House. Picture, if you will, 500 rosy-cheeked, clear-eyed, even-tempered, perfect specimens of Ajax jostling and joking at the "dog house" at the end of the shift. Many of these men own their own homes, and all take their part in the civic, church, and educational advancement of the community; all heartily in accord with the mine owners, working on a sliding scale without any disputes whatsoever. Every miner in the Joplin district is an American-born or a naturalized citizen; they challenge the admiration of the world. [Applause.]

You may ask: "What relation has this to the question of tax reduction?" It all interlinks—farmers, miners, and operators.

There are long-life mines and short-life mines. The coal mines of Pennsylvania, where there are proven, uniform bodies of coal, are samples of the former; our zinc mines are examples of the latter. Consequently it requires little calculation to realize that the profits accruing from the zinc mine must be very large in order to warrant the venture at all. It would not take a political economist to figure out that if the man of means can not believe that he has the opportunity of making considerable profit he will neither take the hazard of developing new fields nor continue the operation of the old. Many of the latter are located upon "thin" ground or, in other words, upon ground which requires the handling of a large tonnage of rock in proportion to the concentrates recovered.

Without resorting to a tedious compilation of figures, let me give you the practical effect of a tax law which takes a large portion of the profits when the venture proves a successful one. It may be stated in a few words. The man contemplating such an investment, with an extremely heavy tax staring him in the face, puts his money into tax-exempt securities; the man who is working the "thin mine" shuts down on the theory that the "game is not worth the candle," and likewise puts his money into tax-exempt securities. This not only relieves both of them of Federal taxes, but likewise of local, county, and State taxes. It is a plain deduction that the more capital that goes out of business and into tax-exempt securities by reason of oppressive taxation, the more the tax burden will fall on the farmer, the business man, the professional man, and the man of moderate means.

When this question first presented itself, I thought, with thousands of others, "Let those with capital pay all the taxes—they can afford it." Applying, however, the practical example of what the working effect has been upon certain sections of the mining industry of my own county, I arrived at the conclusion that the tax upon profits of capital must not be so high as to become confiscatory in nature, or so high that it will drive capital into tax-exempt securities. Let me say that my conscience is clear by reason of having voted against the further issue of tax-exempt securities.

Let us sum up the two illustrations: First, capital is employed; rich treasures are mined, milled, and shipped; a return therefrom comes back to the mine owner; much of this money is paid back in a weekly pay roll to the miners; they, in turn, put it into the avenue of trade to the merchant, who pays it over to the farmer for his produce and other necessities

of life. This cycle rounds out a condition profitable to all concerned. Under such prosperous conditions the mine owner and those of modest means feel free and willing to pay a reasonable tax.

The second illustration is self-evident. With capital forced into tax-exempt securities, the money is no longer employed in industrial development; without it, there is no longer a weekly pay roll; without the pay roll, either spent directly or indirectly by the miner, the merchant can not prosper, and without profit he can not be expected to pay an income tax. Hence, the Government loses the tax on both accounts.

Mr. BARKLEY. Will the gentleman yield?

Mr. MANLOVE. Most certainly.

Mr. BARKLEY. The gentleman's dark picture of his district reminds one of the Irishman's interpretation of the messages from Port Arthur during the Russian-Japanese war. Messages kept coming back from there that Port Arthur was in statue quo. Finally they called in an Irishman to interpret the meaning of that—

Mr. MANLOVE. Yes; and in the words of your Irishman, that is not the only district "in a hell of a fix" by reason of high taxes. [Applause.]

Mr. BARKLEY. It seems to be the theory of those supporting the bill as reported by the Ways and Means Committee that all the money that is to be saved by those whose incomes are above \$60,000 is to go into industry and therefore make it more prosperous for labor and other employees, but they argue that all the income of less than \$60,000 is to be poured into a sink hole and not benefit anybody. Is it not true that the more money you can save for the average man in your town and mine, the more money he will have to buy the necessities and comforts of life, which will increase the market for the produce of the manufacturer and give additional labor and permit the consumer to enjoy more the necessities of life?

Mr. MANLOVE. When the mines are not working there is no pay roll—the farmer, as well as the butcher, the baker, and the candlestick maker have no income and are all relieved from payment of income tax. You are arguing backward. Many wonderfully rich mines are working, notwithstanding the tax—but sections where the ore was not so rich have been crucified.

Mr. BLANTON. Will the gentleman yield?

Mr. MANLOVE. I will.

Mr. BLANTON. The gentleman presents his views in a very fair way. If he would calmly and dispassionately take the Mellon plan and the Garner plan and apply them to the population of his district and upon that decide honestly and squarely that the Garner plan would benefit 95 per cent of the income-tax payers more than the Mellon plan, which plan would the gentleman support?

Mr. CHINDBLOM. If the gentleman will yield, I suggest that if the gentleman was a Member of the Democratic side of the House, the caucus would decide that for him.

Mr. BLANTON. Oh, every Member of the Democratic caucus voted his sentiments and decided the question for himself. It was so unanimous an expression—

Mr. CHINDBLOM. You hear Members say that they have to vote so and so because the caucus gave them orders to do so.

Mr. BARKLEY. Is it not better to vote the sentiments of a caucus than to vote the sentiments of one man?

Mr. MANLOVE. Let me answer my friend from Texas by saying that some of my Democrat friends have told me that they were strongly in favor of a compromise, but that they were bound by their caucus. In answering my friend from Kentucky, let me say that the people from home sent me here to vote for what I think to be their best interest. My allegiance is to them. I am tied by no man.

Mr. GREEN of Iowa. Mr. Chairman, under the rule we are operating the debate must be confined to the bill.

Mr. BLANTON. I think the gentleman is in order.

The CHAIRMAN. No point of order has been made. The gentleman will proceed.

Mr. MANLOVE. No one would argue that the man with a large income should escape a reasonable tax. The question is, "At what point can that income and surtax rate be placed and still not run capital into hiding?"

Mr. BLANTON. The gentleman speaks of an investment of \$200,000 in a lead mine. How much does he expect the man to make on that—20 per cent? Suppose he makes 20 per cent, that is an income of \$40,000. Does not the gentleman know that under the Garner plan incomes up to \$40,000 receive greater benefits than under the Mellon plan?

Mr. MANLOVE. Remember, these are short-lived mines. A splendid return must be made each year upon the investment



in order to cover outlay of original capital, interest, insurance, depreciation, and depletion. Otherwise, when the ore body is finally exhausted the operator will find he has had what appeared to be good annual profits vanish. Many investments run much above the \$200,000 mark.

Under the existing high rate of taxation they have had to pay into the Federal Treasury so much money that it has had the effect of checking, to a large degree, the development of the zinc and lead mines in my district. Men of capital—the men from Harrisburg, Pittsburgh, and from the East generally—who have gone there and put their money into the mining ventures tell me that they do not care to continue the development in opening up of these new fields, by reason of the fact that the Federal taxes are too high.

Aside from that viewpoint, how will this bill, if enacted into a law, affect those who pay no direct income tax at all? This bill now under consideration would relieve the people of an enormous hidden tax burden commonly known as "nuisance taxes." Every time one of my constituents enters a picture show he pays a Federal tax; every time a child buys candy it pays a Federal tax; every time a farmer buys a clock or other supplies from a jewelry store he pays a Federal tax. Every time one of my constituents takes a drink at a soda fountain; sends a telegraph or telephone message; buys a trunk or valise, handbag, or suitcase; eats a cereal; buys a rug or carpet, a pocketbook, fountain pen, or an electric-light fixture, he pays a Federal tax. And this bill would furnish relief from this class of taxes, which in the aggregate is a heavy burden, although hidden.

Surveying the question of taxation from every angle as it applies to those in all walks of life, I am convinced that every person who buys a pair of shoes, or a suit or a hat, pays directly or indirectly his or her portion of the normal surtax, which was first directly paid by the manufacturer. This is evident. The manufacturer simply pays the tax, and then adds it to the cost of production and passes it on to the consumer.

We might make a mistake in overlooking that fact. I am sure my constituents pay more indirect taxes in this form than any other. It reaches those who least suspect they are paying any tax at all.

We come again to the same point in our argument of "Letting the rich pay." I am willing. But the rich who are not producers have their wealth in tax-exempt securities, and those who are manufacturing what necessities we must have pay the tax and then pass it on to us.

The reductions carried in this bill would grant immediate relief to taxpayers on the taxes to be paid this year.

Mr. SPROUL of Kansas. Will the gentleman yield?

Mr. MANLOVE. Certainly.

Mr. SPROUL of Kansas. Can you explain how and when this law would affect the payment of the income tax we will pay this year?

Mr. MANLOVE. I think so. If you were charged with \$400 income tax, you could pay it all at one time or in four installments. Should this law become effective, you would only have to pay \$300 of the \$400 assessed. Had you already paid the \$400, you would get a refund of \$100. This would apply to installment payments in proportion to amounts already paid at the time the law became effective.

My constituents are intelligent. They realize that the war left us with a tremendous indebtedness, of which there still remains unpaid \$21,914,067,407.20.

There are certain fixed Government charges. The annual interest on the public debt amounts to \$1,055,088,486. Last year the Government's expenditures for the veterans of the World War were \$447,648,639, an outlay which is approved by all; the pension bill carried \$264,147,869; Federal appropriations for roads and highways, \$11,730,036.98; post offices and post roads, \$564,174,566.50.

I gave these examples that we may contemplate the general nature of national expenses. We are certainly to be congratulated that the contemplated reduction in taxes comes from the operation of a Budget system and from a more business-like method of conducting Government affairs.

Let me hope that this improved method of considering expenditures will appeal to every person charged with public responsibility in Federal, State, county, and city Government.

I favor an elimination of enough tax burden from some source to afford ample funds with which to build and maintain a summer park and camp for disabled soldiers of all wars. Whether this be located on the bank of one of the crystal spring-fed streams of my district or in some other portion of the "Shepherd of the Hills" country would be a question for decision. But the question of keeping disabled soldier boys within

brick walls through the hot summer months surely could find no opposition from any source.

As I look at it, my Democratic friends, the Garner bill would not raise as much money as the Mellon plan. Therefore it can not be claimed that the Garner plan makes any better provision than does the Mellon plan for funds with which to take care of any adjusted compensation for veterans of the World War and Spanish-American War.

Gentlemen, each of us represents some district of which we are justly proud. The people at home have their eyes on us. They are looking to us for relief. I have spoken entirely without manuscript, but I need no chart to guide me. My people do not expect my judgment to be invincible. They will not demand that my logic be always infallible, but they will rightfully demand of me that one cardinal principle of sincerity.

Some of my Democratic friends tell me that they are in favor of a compromise, but are bound by party caucus to support the Garner plan presented by their side of the House. I am convinced that many of my Republican friends would favor concession rather than fail to adopt some manner of a law tending to tax reduction. Still, by reason of political maneuvering on both sides a deadlock looms ahead. I for one believe the membership of this House is too big for such political bickering at this time. My constituents, my friends at home, expect more than political grandstanding from me. They want relief. When opportunity affords I will not disappoint them. [Applause.]

Mr. GREEN of Iowa. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GRAHAM of Illinois, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 6715, and had come to no resolution thereon.

#### COMMITTEE ON WORLD WAR VETERANS' LEGISLATION.

Mr. WINSLOW. Mr. Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce be given authority by the House to transfer and deliver to the new Committee on World War Veterans' Legislation all papers, records, books, and so forth, now in possession of the Committee on Interstate and Foreign Commerce which should properly be turned over to the World War Veterans' Legislation Committee.

The SPEAKER. The gentleman from Massachusetts asks unanimous consent that the Committee on Interstate and Foreign Commerce may be permitted to transfer to the Committee on World War Veterans' Legislation such papers as are in its possession as should properly be turned over to the latter committee. Is there objection?

There was no objection.

#### LEAVE TO SIT DURING SESSIONS OF THE HOUSE.

Mr. FAIRFIELD. Mr. Speaker, I ask unanimous consent that the Committee on Insular Affairs be permitted to sit during the sessions of the House.

The SPEAKER. Is there objection?

There was no objection.

#### LEAVE TO PRINT—SPEECH OF SENATOR UNDERWOOD.

Mr. McDUFFIE. Mr. Speaker, some time in January the senior Senator from Alabama [Mr. UNDERWOOD] made some remarks in Ohio upon important public questions. I ask unanimous consent to print a copy of those remarks in the RECORD.

The SPEAKER. Is there objection?

Mr. GREEN of Iowa. On what subject?

Mr. McDUFFIE. On several subjects of national importance, the question of bureaucracy, one term for the President, the bonus question, and matters of that kind.

Mr. CHINDBLOM. A sort of platform?

Mr. McDUFFIE. I do not know that you could call it a platform. They are very sound remarks.

Mr. GREEN of Iowa. Have they not already been put into the Senate record?

Mr. McDUFFIE. No.

The SPEAKER. Is there objection?

There was no objection.

Mr. McDUFFIE. Mr. Speaker, under leave granted to me I submit the following speech delivered by the senior Senator from Alabama, the Hon. OSCAR W. UNDERWOOD:

ADDRESS OF SENATOR OSCAR W. UNDERWOOD DELIVERED BEFORE THE CHAMBER OF COMMERCE, AKRON, OHIO, AT A LUNCHEON HELD ON WEDNESDAY, JANUARY 23, 1924.

Mr. Toastmaster and gentlemen, it has just been my exceeding good fortune to be the guest of the chamber of commerce of your sister city of Cleveland, where I was honored by an invitation to address that body on matters of more or less public importance at the present time.

Permit me to say that I feel equally honored by your courteous invitation to be with you to-day and to address to you a few remarks on subjects that may be of interest to our common citizenship.

First, however, I trust you will indulge me while I offer my congratulations on those outstanding features that seem to me to belong peculiarly to your very remarkable city, which, I am sure, is unique in its development and advance along the paths of modern progress.

The first thing to strike my attention is the unprecedented increase in your population—from 69,000 in 1910 to 208,000 in 1920, a 200 per cent expansion. And while you are thirty-second in population in the country, you are fourteenth in industrial importance.

Your next claim to distinction lifts you not only out of national competition but establishes your preeminence among all the cities of the world, first among them in that great twentieth century industry of rubber. You consume nearly one-half of the earth's entire production of that commodity.

The naked savages of Africa, the primitive Indians of Brazil, the yellow races of the Asiatic islands, all work ceaselessly by day and night that the throbbing of your engines may not be silenced, that the fires of your mighty furnaces may not grow cold, and that the magic wealth that lies hidden in their forests may find its way to Akron, to be here transformed into a thousand articles of commerce that add to the comfort and welfare of their civilized brothers.

Verily, the ancient saying, "There is nothing like leather," must needs be changed into "There is nothing like rubber."

Nor are you, fortunately, a city of one industry. I have seen a list of more than 250 different articles of manufacture that are made in your city, and I am informed that some of your plants are the largest of their kind in the United States, and many rank with the greatest elsewhere.

But turning aside from these material aspects of your greatness, there are other features that equally command the admiration of the stranger within your gates and which are fully as worthy, although in a different sphere.

You are a veritable city of homes, one-half of your citizens owning the houses in which they dwell. Your public parks, noted for their beauty; your municipal improvements; your progressive public schools; your many churches; your institutions of benevolence and sanitation; your wide-awake city government; your clean and ably edited newspapers—all these attest the high development that goes hand in hand with your abounding prosperity. Nor can I refrain from naming the alert and public-spirited body of men who compose your chamber of commerce, to whose unselfish efforts so much of your public and private welfare may justly lay claim.

Now, having paid the merited tribute to Akron and its people that they so well deserve, let me turn for a while to themes of larger significance that concern all of us, not as citizens of a municipality or State but as voters of a mighty Republic, composed, as it is, of 48 separate Commonwealths, each sovereign in its own sphere. In this connection it is well always to remember, as one of our illustrious statesmen once remarked, that "This is a great confederated Republic and not a consolidated empire."

We are at the beginning of a national campaign that promises to develop into one of the most strenuous and hardest fought political struggles the country has seen for a generation. As to what may arise within the next few months to be the all-compelling issue, I, nor anyone, can not now foretell.

The checkerboard of Europe is in dire confusion; we know not, from day to day, what shall be the position of the pieces on the morrow. Should some new catastrophe overtake that unhappy part of the world, I am clear in my own mind that the United States would be irresistibly drawn into the maelstrom ere the conflict ended.

We talk about foreign policy, or about the lack of it! I tell you, my friends, that this country's foreign policy is already hewn out for it by an inexorable logic of events and that our destiny henceforth is unalterably interwoven with the destinies of our sister nations overseas. It is of the lack of vision to see this of which I have complained; for it is of this blindness, and this alone, that a selfish policy of inaction and aloofness is born.

But I shall not discuss the foreign policy of the country with you to-day. Nor shall I undertake to go into the domain of a customs tariff—another issue that may be dominant in the coming months. Nor shall I attempt the discussion of other issues that are now hovering on the horizon of political warfare, since the welkin will resound again and again, till next November, with the clamor of their strife.

Rather would I speak to you of matters that, while not so obvious to the general public, nevertheless approach in their importance the gravest issues that confront us to-day.

#### ONE-TERM PRESIDENCY.

One of these matters is the term of office of our National Executive. It is a remarkable fact that this question was, perhaps, the subject of more debate and greater diversity of opinion than almost any other of the multitude of problems presented to the framers of our Federal Constitution. In James Madison's Reports of Debates

in the Federal Convention it is referred to on no less than 24 different occasions. And, singularly enough, the topic next approaching it in apparent importance is that of reeligibility to election. Every phase of the subject, from a short term of three years with reelection, to a longer term of seven years with reeligibility, was considered by the fathers, who voted sometimes one way and at other times completely reversed their position and voted the contrary. Once the States in convention decided by a vote of 5 to 4 that the presidential term should be seven years; and by a vote of 7 to 2, that the President should be ineligible to reelection. Later on, in the same debate, however, some of the members changed their minds, and by a vote of States, 6 to 4, declared the President eligible to reelection. Again, 10 days later, Mason, of Virginia, moved to set aside this decision, and the resolution was passed "that the Executive be appointed for seven years and be ineligible a second time." Apparently this was final. But when the committee of detail, to whom it was referred, submitted its report, another struggle ensued on matters germane to this, and general agreement was rendered impossible.

At last this matter along with many others was handed over to a committee of one from each of the 11 States which submitted its report for final action.

Among the arguments presented for consideration as to Senators and Representatives was one that seemed in the end to prevail. It was to the effect that in a short term the moment the Senator or Representative began to be fairly familiar with his duties and to be fairly efficient in their performance his term expired and he was, as they said, "returned to the body of the people" for fear lest another term in Congress should "breed a lust of power." And along with the abstention from limiting the terms of Senators and Representatives went the limitation of the term of the President, and four years was prescribed as the tenure of office.

The Constitution was so construed by the first of our Presidents and his immediate successors—which construction has been made a part of the innate consciousness of the people—that custom has fixed the eligibility of the President to two terms of four years each.

Washington set the example. Had he been willing to accept a third term, which the people would only too gladly have accorded him, probably we should have a precedent, to be often followed, of eligibility for 12 years instead of 8.

Thomas Jefferson first called attention to the inadvisability of a third term. Some two years before the conclusion of his second term the Legislature of Vermont offered a resolution inviting him to become a candidate for still another term. Georgia, Maryland, Rhode Island, New York, Pennsylvania, New Jersey, and North Carolina followed with similar resolutions, more than a year elapsing between the first and the last. Jefferson had hitherto made no reply, but in December, 1807, a few weeks before the congressional caucus, whose duty it was to make presidential nominations, he gave his answer to the invitations of Vermont, New Jersey, and Pennsylvania, declining a third term, and giving his reasons therefor. He said in that ever-memorable reply: "That I should lay down my charge at a proper period is as much a duty as to have borne it faithfully. If some termination to the services of the Chief Magistrate be not fixed by the Constitution or supplied by practice, his office, nominally for years, will in fact become for life, and history shows how easily that degenerates into an inheritance. Believing that a representative government responsible at short periods of election is that which produces the greatest sum of happiness to mankind, I feel it a duty to do no act which shall essentially impair that principle; and I should unwillingly be the first person who, disregarding the sound precedent set by an illustrious predecessor, should furnish the first example of prolongation beyond the second term of office."

It is hardly to be questioned that these words of Jefferson sank into the minds of the American people and became so firmly embedded in the national consciousness that they form to-day a part of the unwritten law of the land.

The next President upon whom a third term was urged was that sturdy hero of Democracy, Andrew Jackson. He not only refused to consider it but even advocated a time limit inserted in the Constitution. At the instance of his friends, however, he abandoned the idea as impracticable at the time, but voiced his fears in a message of "prophecy and warning to his fellow citizens, the people of the United States."

Coming down to later times, the question arose again during the second term of Grant. The press all over the country reechoed the cry of the New York Herald that Caesarism was upon us and that our republican institutions were in danger of being overthrown by the probable candidacy of the "man on horseback" for a third term. So agitated were the people that on the approaching presidential election in 1876 the House of Representatives passed a resolution, by a vote of 234 to 12, indorsing the precedent established by Washington and condemning a departure from that time-honored custom as "unwise, unpatriotic, and fraught with peril to our free institutions."

Two Presidents have written their opinions on this subject, one of them speaking from years of experience. Benjamin Harrison says: "In practice the popular opinion has limited the eligibility of the President to one reelection. But some of our leading and most thoughtful public men have challenged the wisdom of the four-year term and have advocated six years, usually accompanied with a prohibition of a second term. And unless some method can be devised by which a less considerable part of the four-year term must be given to hearing applicants for office and to making appointments, it would be wise to give the President, by extending the term, a better chance to show what he can do for the country. It must be admitted, also, that ineligibility to a second term will give the Executive action greater independence." Woodrow Wilson years ago also criticized the present presidential term. He wrote: "Efficiency is the only just foundation for confidence in a public officer under republican institutions no less than monarchs; and short terms which cut off the efficient as surely and inexorably as the inefficient are quite as repugnant to republican as to monarchical rules of wisdom. Unhappily, however, this not American doctrine. A President is dismissed almost as soon as he has learned the duties of his office."

Jefferson himself said in his autobiography: "My wish was that the President should be elected for seven years and be ineligible afterwards."

The three Presidents who have brought this question of a third term home to the people are Grant, of whom I have already spoken; Cleveland, nominated three times but defeated in the second election; and Roosevelt, who first assumed the office by succession, and who after his nomination for a second term, on the night of the election, publicly stated that he would not be a candidate for reelection.

In the case of Cleveland, he was the only President except Van Buren who was ever defeated and later on renominated; and there were those, even in his own party, who looked upon a third nomination as violative of immemorial custom. Roosevelt's experience in recent years we all remember. The same argument, the same abuse, and the same spirit of unrelenting opposition to even the shadow of a third term.

We are just recovering from the shock of a tragedy the pathos of which has moved the world. One of Ohio's great, noble-hearted sons has succumbed to the exacting rigors of his office, striving with an exemplary patience and heroic consciousness of duty to crowd into his short four years of office a host of herculean labors. Had he been allotted a larger space of time he might have spared his strength and conserved his powers to their fulfillment.

As it is now, view it as we may, an election to the Presidency means the sacrifice of perhaps half the term to party demands, which can not be ignored or thrust aside so long as party loyalty exists or party ties exert a binding force. It is not a mere personal ambition that thus dominates the President. If he is conscientious and truly imbued with those abstract principles of government for which his party stands, he must more or less recognize his obligations to see them made permanent and abiding for the good of his country. This means that those countless hours of labor and careful study which should be devoted to the pressing questions of government that pertain to his high office must be given up to questions of party expediency and practical politics, so called, that the opposite party may not steal a march and plant itself within the breastworks of the Capital at the next election.

Relieve the newly elected President of his eligibility to another term and he will cease to be the center of political maneuver. Free your Executive from this intolerable yoke about his neck and you will leave him free to devote all his powers, all his energies, and all his strength of intellect to the great masses of the people, whom he directly represents and to whom he stands in closer relationship than any other agency of government.

I speak neither in reproach nor in condemnation of those who are perforce compelled to follow the tactics made almost obligatory under the present system. But I say, change the system. Make the term six years or seven years, and make the Executive ineligible to reelection, and you will have removed all temptation to further personal ambition; you will have taken out of the sphere of partisanship the one man in the country who should stand above and beyond it; and you will have purified the very air of politics itself by giving it worthier motives and loftier ideals.

Another thing, the unsettlement of business throughout the country every four years is entirely too frequent a disturbance of our affairs of trade and traffic. The heavy financial losses thus incurred, added to the ever-increasing costs of the elections in the States, the expenses borne by the candidates, and the thousand and one other burdens incident to the event make a total that, if it could be fairly reckoned, would doubtless awaken the people from their apparent lethargy and stir them to prompt and effective action.

As to the danger of a third term—that is so remote at present, and the people are so firmly entrenched in their opposition to the thought of it, that it is hardly to be considered as an argument. But the lengthening of the term to six or seven years would give the Executive, as President Harrison said, "a better chance to show what he can

do for the country." And the additional safeguard of ineligibility to another term would forever set at rest any fears, however unfounded, as to a life dictatorship or an official hereditament.

#### BUREAUCRACY.

There is another question in which I should like to-day to enlist your very earnest interest and sympathy. It is one the importance of which, I fear, has been overlooked by the country; yet it relates to a condition so serious that it must have the immediate attention of the best and most influential thought of the Nation in order that disaster may be averted. Much and precious time has been lost already, but we are not too late to strangle this detestable thing, which attacks and eats into the very vitals of government.

What I am referring to is called bureaucracy—officialdom—functionarism. It is, in few words, the outgrowth of a continued concentration of administrative power in the Government departments and bureaus, resulting inevitably in undue interference on the part of officials not only in the details of government but in matters outside the scope of their functions and which should be beyond their meddling if our country is to endure as a democracy.

In the United States the evil was peace bred and war fed. War and after-the-war nourishment has grown it into a monster.

Bureaucracy has been a contributing cause to the decay of Europe. Germany was honeycombed with it long prior to the fall of the Empire. Twenty years ago France awakened to its blighting influence and her publicists and critics filled the press with their clamor against it. Some of her economists even attributed what they chose to call Anglo-Saxon superiority largely to the freedom from bureaucracy in Anglo-Saxon countries; and only a year or so ago the League of Nations, which, say what you will, set Austria on her feet, stipulated in its contract with that country that she should get rid of at least a hundred thousand bureaucratic employees.

Bureaucracy has an added peril to our own Republic. Not alone in the establishment of a government of bureaucrats, not alone in the enormous burdens to the taxpayer, not alone in the enervation to themselves and the loss to constructive industry of hundreds of thousands of able-bodied men and women, but in the weapon afforded the political party in power, with its legion of henchmen securely entrenched in their offices and the threat afforded to the party out of power, with its army of ex-officeholders, all of whom may be said to have but one politics—that of retaining or regaining their jobs.

We have at present, according to the latest figures by the Civil Service Commission, 64,959 employees in the District of Columbia and 483,547 additional employees in the United States at large—a total of 548,506—all civilians employed by the Federal Government. It is a veritable host beside which our Army and Navy sink into insignificance; and yet it is proposed at every session of Congress to add to the swollen functions of government still further activities, to create more bureaus, and to increase the already stupendous array of civilians on the Federal pay rolls.

It is indeed time to call a halt. Our Federal Government is becoming more and more centralized; our States are becoming less and less autonomous. Unless our steps are retraced or brought to a standstill, in a few years we will find ourselves menaced by a danger from within that will be more serious to the safety and preservation of our institutions than any from without.

And now, my friends, in conclusion I have chosen, as you see, rather to dwell upon two subjects that are from their nature not so apt to be conspicuous in the public eye. I have elected to speak of them to-day not only because of that fact, but because they are of vital importance to the Republic. They do not appeal to the great masses of the people so forcibly as those issues which touch them more nearly in their daily affairs of life—their business, their homes, their income—but they are nevertheless of indispensable importance in the administration of the Government. It is true they are more or less secreted from the public gaze, but those allments that are hidden are often more dangerous than those that are visible. And for this reason, it seems to me, those of us who are close to the great Federal arteries of legislation owe it as a duty to those of our fellow citizens who are more closely occupied with their private affairs to sound a note of warning as the occasion may demand.

If I shall have succeeded in conveying to you my own impression as to the gravity of the question of a longer presidential term without reeligibility and the inescapable necessity of a return to the undying principles of local self-government and State autonomy, I shall indeed have realized my hopes in thus accepting the invitation you have so generously extended.

ENROLLED BILL PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. ROSENBLOOM, from the Committee on Enrolled Bills, reported that this day they had presented to the President of the United States for his approval the following bill:

H. R. 4817. An act granting the consent of Congress to the State of Illinois and the State of Iowa, or either of them, to

construct a bridge across the Mississippi River connecting the county of Whiteside, Ill., and the county of Clinton, Iowa.

HOOR OF MEETING TO-MORROW.

Mr. GREEN of Iowa. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock to-morrow.

The SPEAKER. Is there objection?  
There was no objection.

ADJOURNMENT.

Mr. GREEN of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; and accordingly (at 5 o'clock and 45 minutes p. m.), under the order heretofore made, the House adjourned until to-morrow, Saturday, February 16, 1924, at 11 o'clock a. m.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII,

Mr. SABATH: Committee on Immigration and Naturalization. H. R. 6540. A bill to limit the immigration of aliens into the United States, and for other purposes; minority views (part 2 of Rept. No. 176). Ordered to be printed.

Mr. WYANT: Committee on Interstate and Foreign Commerce. H. R. 6487. A bill granting the consent of Congress to the Clarks Ferry Bridge Co. and its successors to construct a bridge across the Susquehanna River at or near the railroad station of Clarks Ferry, Pa.; without amendment (Rept. No. 208). Referred to the House Calendar.

Mr. MOORES of Indiana: Committee on Disposition of Useless Executive Papers. Report on the disposition of useless records, papers, and documents in the Post Office Department (Rept. No. 206).

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. BACON: A bill (H. R. 7011) to create a commission to ascertain the feasibility of establishing a national conservatory of music; to the Committee on Education.

By Mr. STRONG of Kansas: A bill (H. R. 7012) to amend the packers and stockyards act, 1921, and for other purposes; to the Committee on Agriculture.

By Mr. BELL: A bill (H. R. 7013) to amend the war risk insurance act, as amended; to the Committee on World War Veterans' Legislation.

By Mr. MILLS: A bill (H. R. 7014) to permit the Secretary of War to dispose of and the Port of New York Authority to acquire the Hoboken shore line; to the Committee on Military Affairs.

By Mr. WINSLOW: A bill (H. R. 7015) to authorize the purchase in the open market of certain supplies for use on the Panama Canal or in the Canal Zone; to the Committee on Interstate and Foreign Commerce.

By Mr. PAIGE: A bill (H. R. 7016) reclassifying the salaries of postmasters and employees of the Postal Service and readjusting their salaries and compensation on an equitable basis, and for other purposes; to the Committee on the Post Office and Post Roads.

By Mr. SWANK: Memorial of the Legislature of the State of Oklahoma, petitioning the Congress of the United States to defeat that part of S. 2065, by Mr. HARRELD, which provides for the repeal of 1 per cent gross production tax on royalties received by the Osage Tribe of Indians from oil and gas produced in Osage County, Okla.; to the Committee on Ways and Means.

By Mr. TINKHAM: Memorial of the Legislature of the State of Massachusetts, opposing the Johnson immigration bill in its present form; to the Committee on Immigration and Naturalization.

By Mr. McCLINTIC: Memorial of the Legislature of the State of Oklahoma, petitioning Congress to defeat that part of S. 2065, by Mr. HARRELD, which provides for the repeal of 1 per cent gross production tax on royalties received by the Osage Tribe of Indians from oil and gas produced in Osage County, Okla.; to the Committee on Ways and Means.

By Mr. GARBER: Memorial of the Legislature of the State of Oklahoma, urging Congress to pass a bill to increase the compensation of postal employees; to the Committee on the Post Office and Post Roads.

Also, memorial of the Legislature of the State of Oklahoma, opposing that part of Senate bill 2065, by Senator HARRELD,

which provides for the repeal of 1 per cent gross production tax on royalties received by the Osage Tribe of Indians from oil and gas produced in Osage County; to the Committee on Indian Affairs.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ALLGOOD: A bill (H. R. 7017) granting an increase of pension to John Watts; to the Committee on Invalid Pensions.

By Mr. BACHARACH: A bill (H. R. 7018) for the relief of Joy Bright Little; to the Committee on Naval Affairs.

By Mr. BACON: A bill (H. R. 7019) authorizing the Secretary of the Treasury to pay certain claims, the result of a fire in the Government ordnance plant at Baldwin, N. Y.; to the Committee on Claims.

By Mr. FAIRFIELD: A bill (H. R. 7020) granting an increase of pension to Josephine F. Pequignot; to the Committee on Invalid Pensions.

By Mr. FISH: A bill (H. R. 7021) for the relief of William McCormack; to the Committee on Claims.

Also, a bill (H. R. 7022) for the relief of John J. Torpey; to the Committee on Claims.

By Mr. GOLDSBOROUGH: A bill (H. R. 7023) granting a pension to Clara H. Johnson; to the Committee on Invalid Pensions.

By Mr. MURPHY: A bill (H. R. 7024) granting a pension to Louise Deemer; to the Committee on Invalid Pensions.

By Mr. OLDFIELD: A bill (H. R. 7025) providing for the purchase of certain inventions, designs, and methods of aircraft, aircraft parts, and aviation technique of Edwin Fairfax Naulty and Leslie Fairfax Naulty, of New York; to the Committee on Appropriations.

Also, a bill (H. R. 7026) providing for the purchase of certain inventions, designs, methods of aircraft, aircraft parts, and aviation technique of Edwin Fairfax Naulty and Leslie Fairfax Naulty, of New York; to the Committee on Appropriations.

By Mr. PATTERSON: A bill (H. R. 7027) for the relief of George Beach; to the Committee on Claims.

By Mr. WILLIAMS of Illinois: A bill (H. R. 7028) granting an increase of pension to Lydia J. Lawson; to the Committee on Invalid Pensions.

By Mr. WYANT: A bill (H. R. 7029) granting an increase of pension to Ada May; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1094. By the SPEAKER (by request): Petition of the Kalamazoo Citizens' Association, Washington, D. C., asking Congress to grant to the citizens of the District of Columbia the right of suffrage; to the Committee on the Judiciary.

1095. Also (by request), petition of 21 citizens of Indianapolis, Ind., asking for the repeal of all unfair excise taxes; also of J. E. Murray, New York City, favoring tax reduction; to the Committee on Ways and Means.

1096. By Mr. ALDRICH: Petition of Polish American citizens of Rhode Island, opposing passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1097. Also, petition of Loggia Monte Civita D'Itri, No. 710, Sons of Italy, Cranston, R. I., protesting against the passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1098. Also, petition of Societa' di M. S. Cittadini Calabro Americani (Inc.), Westerly, R. I., against passage of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1099. By Mr. CORNING: Petition of Capital City Lodge, No. 1145, International Association of Machinists, Albany, N. Y., requesting the early enactment into law of House bill 2702, a bill to relieve unemployment among civilian workers of the Government, to remove the financial incentive to war, to stabilize production in Federal industrial plants, to promote the economical and efficient operation of these plants, and for other purposes; to the Committee on Naval Affairs.

1100. By Mr. GALLIVAN: Petition of Massachusetts Mutual Life Insurance Co., Boston, Mass., recommending early and favorable action on the Paige bill (H. R. 5552), relating to salaries of post-office employees; to the Committee on the Post Office and Post Roads.

1101. Also, petition of National Leather Co., Boston, Mass., urging early and favorable action on House bill 4517, the pur-

pose of which is to put the foreign service of the Department of Commerce on a permanent basis; to the Committee on Interstate and Foreign Commerce.

1102. Also, petition of O. E. Spooner, Boston, Mass., recommending repeal of telephone and telegraph toll taxes; to the Committee on Ways and Means.

1103. By Mr. GARBER: Petition of the Rock Island Association of Mechanical and Power Plant Employees, No. 121, of Shawnee, Okla., consisting of 540 men, protesting against any amendment or modification of the transportation act of 1920 until after the act has been fully and fairly tried out; to the Committee on Interstate and Foreign Commerce.

1104. By Mr. LEAVITT: Petition of Kenneth A. Lewis, secretary-treasurer of Local No. 224, Federal Employees Union, Crow Agency, Mont., requesting abolition of the Personnel Classification Board and the transfer of its functions to the Civil Service Commission; to the Committee on the Civil Service.

1105. Also, petition of J. F. Young, president, and William E. Meidel, secretary, of Local No. 186, Federal Employees' Union, Poplar, Mont., requesting abolition of the Bureau of Efficiency and the transfer of its functions to the Civil Service Commission; to the Committee on the Civil Service.

1106. By Mr. MAGEE of Pennsylvania: Protest of J. B. Fortunato, attorney, of Pittsburgh, Pa., against that provision of the selective immigration bill discriminating against Italians; to the Committee on Immigration and Naturalization.

1107. Also, protest of Hadassah Chapter, Women's Zionist Organization, of Pittsburgh, Pa., against unjust discrimination of selective immigration bill affecting nationalities from particular sections of Europe; to the Committee on Immigration and Naturalization.

1108. By Mr. RAINEY: Petition of Chamber of Commerce, Jacksonville, Ill., opposing amendments to the transportation act; to the Committee on Interstate and Foreign Commerce.

1109. By Mr. ROSENBLUM: Petition of the Italian Citizens' Club, Mr. Joseph A. Germano, president, and Lodge No. 716, Sons of Italy, Mr. Hario Santella, president, both of the city of Weirton, W. Va., protesting against the provisions of the immigration bill (H. R. 101) reducing the immigration percentage for Italy to the basis of the year 1890 for the purpose of quota; to the Committee on Immigration and Naturalization.

1110. By Mr. TAGUE: Petitions of the Caltano Bruno Society, the Duke of Abbruzzi Society, and Lodge Giosue Carducci, No. 242, Sons of Italy, all of Boston, Mass., protesting against the enactment of the Johnson immigration bill; to the Committee on Immigration and Naturalization.

1111. By Mr. TILLMAN: Petition of 143 citizens of Arkansas, urging Congress to remove or reduce nuisance or war taxes; to the Committee on Ways and Means.

## SENATE.

SATURDAY, February 16, 1924.

The Chaplain, Rev. J. J. Muir, D. D., offered the following prayer:

Our Father who art in heaven, hallowed be Thy name. We beseech of Thee that in our hearts that name shall be hallowed, and as Thou dost teach us, O Christ, to pray, we beseech of Thee that Thy will may be done in earth as it is in heaven. Deliver us from the willfulness of our own natures and into happy accord with Thine own purpose for us, so that as our wills are Thine and Thou hast given them to us, we beseech of Thee that we may return them to Thee in fullest accord with Thy great mind and heart. The Lord be with us constantly and help us in all the forms of duty which may come to us.

We would not forget before Thee this morning one of this important and impressive gathering who met with a severe accident. We pray that Thou wilt give unto him certainty of Thy presence and grant such physical aid that there may be assured unto him recovery. Hear and answer. Through Jesus Christ our Lord. Amen.

On request of Mr. LODGE and by unanimous consent, the reading of the Journal of the proceedings of the legislative day of Wednesday last was dispensed with and the Journal was approved.

### PROPAGANDA FOR MELLON TAX PLAN.

Mr. HARRIS. Mr. President, I ask that there may be read at the desk a letter which I addressed this morning to the Senator from New Hampshire [Mr. MOSES], chairman of a subcommittee of the Committee on Post Offices and Post Roads, in regard to a matter which occurred the other day.

The PRESIDENT pro tempore. Is there objection to the reading of the letter? The Chair hears none, and the Secretary will read it.

The letter was read, as follows:

FEBRUARY 16, 1924.

Hon. GEORGE H. MOSES,  
United States Senate.

MY DEAR SENATOR MOSES: Under Senate Resolution No. 107 you, as chairman, are investigating the expenditure of money and the use of publicity to influence legislation.

Senator JOHNSON of California, in a public address recently delivered, said: "We have never in this country had anything like the propaganda we have now in behalf of the so-called Mellon plan. It is propaganda most carefully prepared and stimulated."

It was charged on the floor of the Senate on February 13 last that the Literary Digest, a periodical published in New York City, was expending for postage alone \$300,000, ostensibly to obtain and publish the opinion of 15,000,000 voters with reference to this plan, but in reality to place in the hands of these voters a circular letter which is nothing more nor less than an argument, and a misleading one, for the Mellon plan.

Likewise, full-page advertisements have been and are appearing in many of the leading papers, paid for by the Literary Digest, and directing to accomplish this result. It will be observed from these advertisements that the Literary Digest's circular letter does not mention either the Democratic or the Progressive plan, but requests a vote for or against the Mellon plan. It is apparent to anyone that the Literary Digest's effort is an effort organized and financed to control public opinion and secure action of Congress in behalf of this plan of taxation.

In response to a suggestion on the floor of the Senate made by Senator SWANSON, of Virginia, I promised to call to your attention, and to the attention of the committee of which you are chairman, this matter, and therefore permit me to suggest that you would be rendering the public a great service if the officials of the Literary Digest, responsible for this propaganda, be brought immediately before the committee and ascertain from them the sources of the fund they are expending and the purposes for which the expenditures are made. I sincerely hope this will be done.

With best wishes, I am,  
Respectfully,

WM. J. HARRIS.

Mr. HARRIS. I sent a copy of that letter to the Senator from Arkansas [Mr. CARAWAY], who is also on the subcommittee, and I hope they will investigate the matter at once. The resolution creating the committee provided that they should investigate whence the propaganda came to influence legislation. There has been no similar propaganda in the country that I know of.

I ask that the Literary Digest circular letter and what is on the envelope containing it may be printed in the RECORD.

The PRESIDENT pro tempore. Is there objection? The Chair hears none, and it is so ordered.

The matter referred to is as follows:

VOTE AT ONCE ON THE MELLON PLAN FOR TAX REDUCTION—DO YOU FAVOR IT OR NOT?—THIS ENVELOPE CONTAINS YOUR SECRET BALLOT.

EDITORIAL OFFICE THE LITERARY DIGEST,  
New York, N. Y., January, 1924.

W. J. HARRIS,  
2400 Sixteenth Street NW., Washington, D. C.

DEAR SIR: Please mark an X under the "Yes" or the "No" on the inclosed secret ballot on tax reduction and mail at once.

The demand for tax reduction is the paramount issue before the country to-day. The only question in dispute is how to secure the reduction. Many plans have been proposed by various political groups or leaders, but attention has become focused almost entirely upon one plan—the Mellon plan.

The Mellon plan reduces the taxes on all incomes in varying degrees; it provides that an earned income (salary, wages, professional services, etc.) shall not be taxed as highly as an income from stocks, bonds, etc. The so-called nuisance taxes, such as the moving-picture admission tax, the telephone tax, and the telegraph tax also are eliminated.

On the back of this letter you will find a table showing the saving to the taxpayer under the Mellon plan.

This measure, however, is not without strong opposition. An important fault with the plan, according to such leaders as William G. McAdoo, ex-Secretary of the Treasury, and Commander John R. Quinn, of the American Legion, is that it excludes the soldiers' bonus, which they strongly believe should be paid and which they claim can be paid without preventing some tax reduction.

On the other hand, Secretary Mellon says it will be impossible to reduce taxes in this generation if we pay a bonus. President Coolidge also disapproves of a bonus, in fact and principle, and has given unqualified support to the Mellon plan.