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IV. Public Law 753-77th Congress-*October 21, 1942*

Note: House Report No. 2333 (to accompany H.R. *7378)-]uly 14, 1942*
(Report not included—social security tax freeze amendment added to the House-passed bill by the Senate'Committee on Finance.)

IV. War Shipping Crews Coverage

I. Reported to and Passed House

A. Committee on the Merchant Marine and Fisheries Report
House Report No. 107 (to accompany H.R. 133)—
February 8, 1943

B. Committee Bill Reported to the House
H.R. 133 (reported with amendment)—
February 8, 1943 (See text, Congressional Record pp. 963-65.)

C. House Debate—Congressional Record—
February 15, 1943
(House passed Committee-reported bill.)

Note: In 1942, H.R. 7424, a similar bill was passed by the House and died on the floor of the Senate. For House and Senate debate see Congressional Record following blue divider in this section.

II. Reported to and Passed Senate

A. Committee on Commerce Report
Senate Report No. 62 (to accompany H.R. 133)—*February 22, 1943*

B. Committee Bill Reported to the Senate
H.R. 133 (reported with amendments)—*February 22, 1943*
(See committee amendments, Congressional Record pp. 1466-69.)

C. Senate Debate—Congressional Record—*March 2, 1943*
(See floor amendments, Congressional Record pp. 1466-69.)

D. House and Senate Conferees—Congressional Record—*March 3, 8-10, 1943*

III. Conference Report (reconciling differences in the disagreeing votes of the two Houses)

A. House Report No. 248 (to accompany H.R. *133)-March 12, 1943*

B. Senate Debate—Congressional Record— *March 12, 1943*

C. House Debate—Congressional Record—*March 15-16, 1943*

IV.Public Law 17-78th Congress -*March 24, 1943*

V. 2 Month FICA Rate Freeze

I. Reported to and Passed Senate

A. Committee on Finance Report
Senate Report No. 607 (to accompany H.J.Res. 171)— *December 17, 1943*

B. Committee Bill Reported to the Senate
H.J.Res. 171 (reported with amendments)—*December 11, 1943*

C. Senate Debate—Congressional Record—
December 17, 1943
(Senate passed Committee-reported bill.)

II. House Concurred in Senate Amendments—Congressional Record—*December 17-18, 1943*

III. Public Law 211-78th Congress-December *22, 1943*

Note: House Report No. 921 (to accompany H.J.Res. 171)—*December 2, 1943* (Report not included—social security tax freeze amendment added to the House-passed bill by the Senate Committee on Finance.)

VI. 1944 FICA Rate Freeze

I. Reported to and Passed Senate

A. Committee on Finance Report
Senate Report No. 627 (to accompany H.R. 3687)—December *22, 1943*

B. Committee Bill Reported to the Senate

H.R. 3687 (reported with amendments)—*December 21, 1943*

C. Senate Debate—Congressional Record—*January 10-11, 19, 21, 1944*

D. Senate-Passed Bill with Numbered Amendments— *January 21, 1944*

II. House Conferees—Congressional Record—*January 24, 1944*

III. Conference Report (reconciling differences in the disagreeing votes of the two Houses)

A. House Report No. 1079 (to accompany H.R. 3687)—*February 4, 1944*

B. House Debate—Congressional Record— *February 7, 1944*

C. Senate Debate—Congressional Record— *February 7, 1944*

IV. Passage over President's Veto

A. President's Veto Message—Congressional Record—*February 22, 1944*

B. House Debate—Congressional Record—*February 24, 1944*

C. Senate Debate—Congressional Record—*February 25, 29, 1944*

V. Public Law 235—78th Congress—*February 25, 1944*

Note: House Report No. 871 (to accompany H.R. 3687)—*November 18, 1943* (Report not included—social security tax freeze amendment added to the House-passed bill by the Senate Committee on Finance.)

VII. Foreign War Shipping Crews Exclusion

I. Reported to and Passed House

A. Committee on the Merchant Marine and Fisheries Report
House Report No. 1215 (to accompany H.R. *3259)-March 1, 1944*

B. Committee Bill Reported to the House
H.R. 3259 (reported with amendments)-March *1, 1944* (See text, Congressional Record p. 2264.)

C. House Debate—Congressional Record— *March 6, 1944*
(House passed Committee-reported bill.)

II. Reported to and Passed Senate

A. Committee on Commerce Report
Senate Report No. 790 (to accompany H.R. *3259)-March 29, 1944*

B. Senate Debate—Congressional Record— *March 30, 1944*
(Committee reported and Senate passed House bill.)

III. Public Law 285-78th Congress-*April 4, 1944*

VIII. 1945 FICA Rate Freeze

I. Reported to and Passed House

A. Committee on Ways and Means Report
House Report No. 2010 (to accompany H.R. 5564)-*December 1, 1944*

B. Committee Bill Reported to the House
H.R. 5564 (reported without amendment)—*December 1, 1944*

C. House Debate—Congressional Record—*December 5, 1944*
(House passed Committee-reported bill.)

II. Reported to and Passed Senate

A. Committee on Finance Report
Senate Report No. 1356 (to accompany H.R. *5564)—December 1, 1944*

B. Senate Debate—Congressional Record—*December* 6, *8, 1944*
(Committee reported and Senate passed House bill.)

III. Public Law 495-78th *Congress-December 16, 1944*

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IX. War Shipping, Employer Tax

I. Reported to and Passed House

A. Committee on Ways and Means Report
House Report No. 34 (to accompany H.R. *1429)—January 23, 1945*

B. Committee Bill Reported to the House
H.R. 1429 (reported without amendment)—*January 23, 1945*

C. House Debate—Congressional Record— *February 5, 1945*
(House passed Committee-reported bill.)

II. Reported to and Passed Senate

A. Committee on Finance Report
Senate Report No. 85 (to accompany H.R. *1429)-March 8, 1945*

B. Senate Debate—Congressional Record—*March 15, 1945*
(Committee reported and Senate passed House bill.)

III. Public Law 21-79th Congress-*March 24, 1945*

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(House passed Committee-reported bill.)

II. Reported to and Passed Senate

A. Committee on Finance Report
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B. Committee Bill Reported to the Senate
H.R. 4489 (reported with amendments)—*Decemb er 18, 1945*

C. Senate Debate—Congressional Record—*December 20, 1945*
(Senate amended and passed Committee-reported bill.)

III. House Concurred in Senate Amendments—Congressional Record—*December 21, 1945*

IV. Public Law 291-79th *Congress-December 29, 1945*

I. Reported to House

A. Committee on Interstate and Foreign Commerce Report
House Report No. 1989 (to accompany H.R. *1362)-May 9, 1946*

B. Committee Bill Reported to the House
H.R. 1362 (reported with amendments)— *May 9, 1946*

II. Passed House

A. House Debate—Congressional Record—*June 10, 20, July 3, 1946*

B. House-Passed Bill
H.R. 1362 (with amendments)-*July 5, 1946*

III. Reported to and Passed Senate

A. Committee on Interstate Commerce Report
Senate Report No. 1710 (to accompany H.R. 1362)
Parts 1 and *2-July 12, 15, 1946*
(Committee reported, House-passed bill.)

B. Senate Debate—Congressional Record—*July 19, 23, 25—26, 1946*

C. Senate—Passed Bill with Numbered Amendments— *July 26, 1946*
(See text of Senate amendments—Congressional Record pp. 10317—18 filed under IV.)

IV. House Concurred in Senate Amendments—Congressional Record—*July 27, 29, 1946*

V. Public Law
Public Law 572-79th Congress-*July 31, 1946*

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I. Reported to and Passed House

A. Committee on the Judiciary Report (excerpts only)
House Report No. 2398 (to accompany H.R. *6890)-June 27, 1946*

B. Committee Bill Reported to the House
H.R. 6890 (reported without amendment)—*June 27, 1946*

C. House Debate—Congressional Record—*July 13, 16, 25-26, 1946*
(House passed Committee-reported bill amended to conform with Senate Judiciary Committee bill (S. 2378)—see Congressional Record pp. 10217-18.)

II. Reported to and Passed Senate

A. Committee on the Judiciary Report
Senate Report No. 1839 (to accompany S. *2378)-July 26, 1946*

B. Committee Bill Reported to the Senate
S. 2378 (reported with amendments)—*July 26, 1946*

C. Senate Debate—Congressional Record—*July 29, 1946*

(Senate amended and passed H.R. 6890—see Congressional Record p. 10371.)

III. House Concurred in Senate Amendments—Congressional Record—*July 30-31, 1946*

IV. Public Law 671-79th *Congress-August 8, 1946*

Appendix

Listing of Reference Materials

INTERNAL REVENUE TAX PAID ON SPIRITS

Mr. BOEHNE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (H. R. 1648) to provide for the refund or credit of the internal-revenue tax paid on spirits lost or rendered unmarketable by reason of the floods of 1936 and 1937 where such spirits were in the possession of the original taxpayer or rectifier for bottling or use in rectification under Government supervision as provided by law and regulations.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

Mr. MARTIN of Massachusetts. Reserving the right to object, Mr. Speaker, will the gentleman from Indiana explain this bill?

Mr. BOEHNE. The explanation of this bill, Mr. Speaker, lies entirely in the provision which states that it seeks to make a refund or give a credit, as the Commissioner of Internal Revenue may elect to do, of the internal-revenue tax paid on spirits lost or rendered unmarketable as a result of the Ohio River floods of 1936 and 1937. The spirits were in the possession of the original taxpayer but were in complete control and custody of the United States Government; therefore the amount can be determined actually by Government records.

Mr. MARTIN of Massachusetts. The Seagram Co. is the only company that will benefit from this act?

Mr. BOEHNE. I believe that is true.

Mr. MARTIN of Massachusetts. How much money is involved?

Mr. BOEHNE. Approximately $400,000, or less than 4 days' taxes which that company pays to the Federal Government.

Mr. MARTIN of Massachusetts. For what reason is the Treasury opposed to the bill?

Mr. BOEHNE. The gentleman will have to read the report to find that out. I cannot answer that question.

Mr. DIRKSEN. Mr. Speaker, will the gentleman yield?

Mr. MARTIN of Massachusetts. I yield to the gentleman from Illinois.

Mr. DIRKSEN. The Seagram Co. was the only such company affected by the flood; is not that correct?

Mr. BOEHNE. Yes.

Mr. MARTIN of Massachusetts. I asked why the Treasury is opposed to the bill?

Mr. BOEHNE. I cannot answer the gentleman's question. He will have to refer to the report. I could not, and neither could the Committee on Ways and Means, fathom the reasons why the Treasury Department is opposed to the bill.

Mr. MARTIN of Massachusetts. Does the gentleman think they are a little dumb down there in the Treasury Department? Is that what the gentleman is trying to tell us?

Mr. BOEHNE. I do not think the gentleman from Massachusetts would expect me to answer that question.

Mr. JENKINS of Ohio. Reserving the right to object, Mr. Speaker, I should like to say to my distinguished floor leader—not that I am here defending the Treasury, because the Treasury does not need me to defend it—that it is true, as my good friend from Indiana has said, that this report from the Treasury is hardly up to the standard one might expect from the Secretary of the Treasury who is supposed to be the equal of Alexander Hamilton.

Mr. RICH. Reserving the right to object, Mr. Speaker, did I correctly understand that the Treasury Department has opposed this particular bill?

Mr. BOEHNE. They have.

Mr. RICH. Does not the gentleman believe they have a right to do so and that they should oppose any refunds that are not in accordance with what they believe to be the law? When you look at the Treasury statement issued by Mr. Morgenthau you will find that since July 1 for 20 days we have gone in the red $391,000,000. This means over $19,590,000 a day since July 1. How in the world is Mr. Morgenthau going to conduct the affairs of this Government if you come in here and ask for a refund of $400,000? Does he not need this money? Surely he does. Why are you now trying to bring in a bill prohibiting him from getting this amount of money he so urgently needs?

Mr. BOEHNE. Will the gentleman from Pennsylvania agree to double the taxation on the very same thing?

Mr. RICH. No; I do not want to double the taxation; but why are you asking for the passage of a bill that the Treasury Department does not approve?

Mr. BOEHNE. Because I believe and the Committee on Ways and Means believes that the Treasury Department was wrong in this instance.

Mr. RICH. Is this a unanimous report of the Committee on Ways and Means?

Mr. BOEHNE. There was a single objection in the committee.

Mr. RICH. Why does not that single objector come here now and object to this unanimous-consent request?

Mr. BOEHNE. The minority views are in the report.

Mr. RICH. Is seems to me this bill ought to be given more consideration than being brought up under unanimous consent.

Mr. KNUTSON. Reserving the right to object, Mr. Speaker, I believe at this point the RECORD should show that the bill was considered by a subcommitee of the Committee on Ways and Means and by the full committee, and that the full committee went very exhaustively into the objections made by the Treasury Department and found several statements in the letter of the Treasury Department that were in conflict with each other.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That (a) the Commissioner of Internal Revenue is authorized and directed to make refund, or in lieu thereof, if he so elects, allow credit in the amount of the internal-revenue tax paid on spirits previously withdrawn and lost or rendered unmarketable or useless by reason of the floods of 1936 and 1937 while such spirits were in the possession of the person originally paying the said tax on such spirits, or while such spirits were in the possession of a rectifier for rectification or for bottling, or which have been used in the process of rectification, under Government supervision as provided by law and regulations. A claim for such tax shall be filed with the Commissioner of Internal Revenue within 30 days from the effective date of this act in which proof shall be furnished to his satisfaction that (1) the internal-revenue tax on such spirits was fully paid; (2) that the same were in the possession of the claimant as above set forth at the time of such loss; (3) that such spirits were lost or rendered unmarketable or useless by reason of damage sustained as the result of the aforesaid flood conditions; (4) that such spirits so rendered unmarketable or useless have been destroyed; and (5) that claimant was not indemnified against such loss by any valid claim of insurance or otherwise.

(b) Where credit is allowed for the internal-revenue tax previously paid aforesaid, the Commissioner of Internal Revenue is authorized and directed to provide for the issuance of stamps to cover the spirits subsequently withdrawn to the extent of the credit so allowed by the Commissioner of Internal Revenue and the Commissioner of Customs.

(c) The Commissioner of Internal Revenue and the Commissioner of Customs, with the approval of the Secretary, are authorized to make such rules and regulations as may be necessary to carry out the provisions of this act.

With the following committee amendments:

Page 2, line 18, after the word "paid", insert the word "as."

Line 22, after "Revenue", strike out "and the Commissioner of Customs."

Line 23, after "Revenue", strike out "and the Commissioner of Customs."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. BOEHNE. Mr. Speaker, I ask unanimous consent that the title of the bill just passed may be changed so that the word "of" may read "or."

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

REFUND OF INTERNAL-REVENUE TAXES

The bill (H. R. 1648), to provide for the refund or credit of the internal-revenue tax paid on spirits lost or rendered unmarketable by reason of the floods of 1936 and 1937 where such spirits were in possession of the original taxpayer or rectifier for bottling or use in rectification, under Government supervision, as provided by law and regulations, was announced as next in order.

Mr. BARKLEY. Mr. President, the bill just reached on the calendar is a House bill which was called day before yesterday, and the Senator from Wisconsin [Mr. LA FOLLETTE] asked that it go over. The Senator from Wisconsin is in a meeting of the Committee on Appropriations, and I will not ask that the bill be acted on at this time. However, I wish to say that it is a bill which should be passed. It authorizes the refunding of the cost of stamps which were destroyed and damaged in the Ohio River flood in 1936 and 1937 in such a way as to make them nonusable. Certainly the Government ought not to collect a tax on distilled spirits, and, after the tax has been collected and stamps representing the tax have been destroyed, insist that the owner of the distilled spirits buy new stamps before the liquor can be placed on the market. I do not know what the objection to the measure could be, but I will not ask that it be considered now. However, I hope we can take it up on its merits before we adjourn, and take some action on it.

Mr. VANDENBERG. Mr. President, I wish to give notice that when the Senate takes up House bill 1648, to which the able Senator from Kentucky has referred, I intend to offer an amendment, which I will submit now and ask to lie on the table. I will state briefly the purpose of the amendment.

Mr. President, this is the only revenue bill I can find on the calendar to which I can attach a revenue amendment. The amendment has the simple and sole purpose of taking out of the deadlock in conference on the social-security bill that section which freezes the pay-roll taxes, and prevents an increase of 50 percent next January in the pay-roll taxes on employers and employees under title II of the Social Security Act.

There is no disagreement at all between the House and the Senate on that particular provision. There is a universal feeling all over the country that such action should be taken. If it is not, a very serious situation will result in respect to the tax burden resting particularly upon smaller business in this country.

If the deadlock on the bill making amendments to the Social Security Act continues, and it goes over to the next session, that will be too late to cure this particular situation and to prevent the increase in the pay-roll taxes. Therefore I wish to take advantage of this revenue bill in order to offer an amendment reenacting simply that portion of the Social Security amendments, now deadlocked in conference, dealing with the freezing of the pay-roll taxes next January.

I submit the amendment, and ask that it lie on the table, so that it can be considered when Calendar No. 1026 (House bill 1648) is taken up.

Mr. BARKLEY. Mr. President, I wish to say in that connection that I very sincerely and earnestly hope that the conference on the social-security amendments, which is now in session, will be able to arrive at an agreement before this session of Congress shall adjourn.

It seems to me that there were so many valuable amendments that were adopted by the House and adopted also by the Senate that the conferees should and, I am sure, will make every effort to come to a decision and agreement on the social-security amendments.

Whether it would be wise to pick out one particular amendment, referred to by the Senator from Michigan, and attach that to the bill to which I have called attention is a subject for further consideration; but I am expressing the very earnest hope that every effort will be made by the conferees on the part of the House and the Senate to come to a decision with respect to the amendments. There are so many good things in the social-security bill that it seems to me it would be a pity for it to fail at this session because of a contest over one or two controversial amendments. One of the amendments to which we all assent is that having to do with the freezing of the tax as it is now for the next 3 years. I hope that not only that but the other amendments to the law which have been brought forward will be agreed to in the conference, so that we may adopt a comprehensive conference report on the subject before final adjournment.

Mr. VANDENBERG. Mr. President, of course I completely agree with the sentiments just expressed by the able majority leader. I think it would be a calamity for the social-security amendments to lapse, even until the next session of Congress. If the conferees agree, and the conference report comes in, I shall have no further interest in pressing the amendment I have now offered. It is solely in the anticipation that perhaps the deadlock may persist that I am seeking to salvage that one section of the social-security amendments, which must have action prior to New Year's, and prior to the time when Congress will reassemble, if it is to be effective.

Mr. LUCAS. Mr. President, I have just come into the Chamber. Is the Senator objecting to the consideration of House bill 1648?

Mr. VANDENBERG. No; I am offering an amendment to a revenue bill, so that we can take care of the pay-roll tax problem in relation to the social-security amendments.

The PRESIDING OFFICER. The bill will be passed over.

REFUND FOR INTERNAL REVENUE LOST OR DESTROYED STAMPS

Mr. BARKLEY. Mr. President, when the calendar was called a few days ago, Calendar No. 1026, House bill 1648, referring to the refund or credit for lost internal-revenue stamps, went over at the suggestion of the Senator from Wisconsin [Mr. LA FOLLETTE]. I understand that it is now entirely agreeable that the matter be taken up.

This is a bill authorizing the refunding or credit on stamps for distilled liquor destroyed in the floods of 1936 and 1937. I do not think there will be any opposition to the bill, and I hope we may secure its passage.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (H. R. 1648) to provide for the refund or credit of the internal-revenue tax paid on spirits lost or rendered unmarketable by reason of the floods of 1936 and 1937 where such

spirits were in possession of the original taxpayer or rectifier for bottling or use in rectification, under Government supervision, as provided by law and regulations.

The bill is as follows:

Be it enacted, etc., That (a) the Commissioner of Internal Revenue is authorized and directed to make refund, or in lieu thereof, if he so elects, allow credit in the amount of the internal-revenue tax paid on spirits previously withdrawn and lost or rendered unmarketable or useless by reason of the floods of 1936 and 1937 while such spirits were in the possession of the person originally paying the said tax on such spirits, or while such spirits were in the possession of a rectifier for rectification or for bottling, or which have been used in the process of rectification, under Government supervision as provided by law and regulations. A claim for such tax shall be filed with the Commissioner of Internal Revenue within 30 days from the effective date of this act in which proof shall be furnished to his satisfaction that (1) the internal-revenue tax on such spirits was fully paid; (2) that the same were in the possession of the claimant as above set forth at the time of such loss; (3) that such spirits were lost or rendered unmarketable or useless by reason of damage sustained as the result of the aforesaid flood conditions; (4) that such spirits so rendered unmarketable or useless have been destroyed; and (5) that claimant was not indemnified against such loss by any valid claim of insurance or otherwise.

(b) Where credit is allowed for the internal-revenue tax previously paid as aforesaid, the Commissioner of Internal Revenue is authorized and directed to provide for the issuance of stamps to cover the spirits subsequently withdrawn to the extent of the credit so allowed by the Commissioner of Internal Revenue.

(c) The Commissioner of Internal Revenue, with the approval of the Secretary, is authorized to make such rules and regulations as may be necessary to carry out the provisions of this act.

Mr. AUSTIN. Mr. President, this morning I laid an amendment on the table which I intended to propose to the bill. It grew out of a discovery in the conference on the social-security bill that an amendment which was accepted to that bill, which I had offered, was unfortunately limited in time, and I desire to offer the amendment to this revenue bill, which would put the amendment accepted heretofore by the Senate into effect for the whole period represented by the hurricane damage.

Mr. BARKLEY. Mr. President, I may say to the Senator that this is a House bill, and I should regret if any amendment put on it now would defer action on the part of the House. But I have been informed reliably that the House will be willing to accept the amendment, and I am willing to have it put into the bill.

Mr. AUSTIN. I thank the Senator from Kentucky.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from Vermont which will be reported for the information of the Senate.

The LEGISLATIVE CLERK. It is proposed to add the following new section at the end of the bill:

SEC. 2 No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, in the employ of the owner or tenant of land, in salvaging timber on such land or clearing such land of brush and other debris left by a hurricane; and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to such services rendered prior to January 1, 1940.

The amendment was agreed to.

Mr. AUSTIN. Mr. President, before the bill is acted upon, I call attention to an amendment intended to be proposed by the Senator from Michigan [Mr. VANDENBERG].

Mr. BARKLEY. I will say to the Senator from Vermont that the Senator from Michigan authorized me to withdraw that amendment, the matter having been taken care of in the report of the conferees on the social-security bill.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

REFUND OR CREDIT OF INTERNAL REVENUE TAX PAID ON SPIRITS LOST BY FLOODS OF 1936 AND 1937

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 1648) to provide for the refund or credit of the internal-revenue tax paid on spirits lost or rendered unmarketable by reason of the floods of 1936 and 1937 where such spirits were in possession of the original taxpayer or rectifier for bottling or use in rectification under Government supervision as provided by law and regulations, with a Senate amendment thereto and agree to the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment as follows:

Page 3, after line 2, insert:

"SEC. 2. No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, in the employ of the owner or tenant of land, in salvaging timber on such land or clearing such land of brush and other debris left by a hurricane; and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to such services rendered prior to January 1, 1940."

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

Mr. RICH. Mr. Speaker, reserving the right to object, is this the same bill we passed the other day having to do with spirits damaged in the recent floods?

Mr. DOUGHTON. That is right.

Mr. RICH. What is the idea of bringing it back today?

Mr. DOUGHTON. There is a Senate amendment and I have asked to take the bill from the Speaker's desk, with the Senate amendment, and concur in the Senate amendment.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

There was no objection.

The Senate amendment was concurred in and a motion to reconsider was laid on the table.

Public--No. 400--76th Congress--August 11, 1939

AN ACT

To provide for the refund or credit of the internal-revenue tax paid on spirits lost or rendered unmarketable by reason of the floods of 1936 and 1937 where such spirits were in the possession of the original taxpayer or rectifier for bottling or use in rectification under Government supervision as provided by law and regulations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Commissioner of Internal Revenue is authorized and directed to make refund, or in lieu thereof, if he so elects, allow credit in the amount of the internal-revenue tax paid on spirits previously withdrawn and lost or rendered unmarketable or useless by reason of the floods of 1936 and 1937 while such spirits were in the possession of the person originally paying the said tax on such spirits, or while such spirits were in the possession of a rectifier for rectification or for bottling, or which have been used in the process of rectification, under Government supervision as provided by law and regulations. A claim for such tax shall be filed with the Commissioner of Internal Revenue within thirty days from the effective date of this Act in which proof shall be furnished to his satisfaction that (1) the internal-revenue tax on such spirits was fully paid; (2) that the same were in the possession of the claimant as above set forth at the time of such loss; (3) that such spirits were lost or rendered unmarketable or useless by reason of damage sustained as the result of the aforesaid flood conditions; (4) that such spirits so rendered unmarketable or useless have been destroyed; and (5) that claimant was not indemnified against such loss by any valid claim of insurance or otherwise.

(b) Where credit is allowed for the internal-revenue tax previously paid as aforesaid, the Commissioner of Internal Revenue is authorized and directed to provide for the issuance of stamps to cover the spirits subsequently withdrawn to the extent of the credit so allowed by the Commissioner of Internal Revenue.

(c) The Commissioner of Internal Revenue, with the approval of the Secretary, is authorized to make such rules and regulations as may be necessary to carry out the provisions of this Act.

SEC. 2. No tax shall be collected under title VIII or IX of the Social Security Act or under the Federal Insurance Contributions Act or the Federal Unemployment Tax Act, with respect to services rendered prior to January 1, 1940, in the employ of the owner or tenant of land, in salvaging timber on such land or clearing such land of brush and other debris left by a hurricane; and any such tax heretofore collected (including penalty and interest with respect thereto, if any), shall be refunded in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax. No interest shall be allowed or paid on the amount of any such refund. No payment shall be made under title II of the Social Security Act with respect to such services rendered prior to January 1, 1940.

Approved, August 11, 1939.

76TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
3d Session } { No. 2503

MORE UNIFORM COVERAGE WITH RESPECT TO FEDERAL INSURANCE BENEFITS FOR CERTAIN PERSONS EMPLOYED IN COAL-MINING OPERATIONS

JUNE 11, 1940.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr CROSSER, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H. R. 9955]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 9955) to provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal acts, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Page 2, line 7, strike out 'paragraph "First" of' and insert 'paragraph First of'.

Page 2, line 21, strike out 'paragraph "Fifth" of' and insert 'paragraph Fifth of'.

Page 3, line 8, strike out "Act approved" and insert "Act, approved".

Page 3, line 19, strike out "to the part" and insert "to part".

Page 3, line 22, strike out "Act, as" and insert "Act as".

Amend the title so as to read:

A bill to provide for more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal acts, and for other purposes.

The bill has the approval of the Railroad Retirement Board, as will appear by the following letter:

RAILROAD RETIREMENT BOARD,
Washington, May 16, 1940.

The Honorable CLARENCE F. LEA,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

DEAR SIR: I enclose a draft of a joint resolution to provide for more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal acts, and for other purposes.

The Board recommends that this joint resolution be adopted in the current session of the Congress. The draft has been cleared with the Federal Security Administrator and the Treasury Department, and we are advised by the Bureau of the Budget that it is in accord with the program of the President.

As the first recital clause indicates, certain carriers by railroad own and operate coal mines directly with their own employees. In addition, another and larger group of carriers have wholly owned subsidiaries engaged in mining coal for the purpose of servicing railroad operations through supplying locomotive fuel for the railroad system of the parent carrier. After investigation of these activities, the Board's general counsel advised that, in his opinion, these activities constituted the performance of a service in connection with transportation of persons and property by railroad and that, consequently, these companies were employers, as the term "employer" is defined in the Railroad Retirement Acts and the Railroad Unemployment Insurance Act, as companies "owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad."

The companies affected disagreed and requested a hearing before the Board. This request was granted, elaborate evidence was presented before an examiner, and arguments were made before the Board. Upon consideration of the evidence and arguments, the Board finds itself compelled by the statutory language quoted above to conclude that these companies are legally subject to the Railroad Retirement Acts and the Railroad Unemployment Insurance Act. This circumstance is indicated in the second recital clause. The formal opinion of the Board has not been released but will be forwarded to the committee upon its release. The Board, however, as well as railroad employers, railroad employees, the mine workers, the Federal Security Administrator, and State Unemployment Compensation Administrations, believes that as a matter of policy such coal-mining activities, whether conducted directly by carriers or by subsidiaries of carriers, should, for purposes of a social insurance program and for purposes of labor relations, be covered by the system of laws applicable to coal mining generally rather than the system of laws applicable to the railroad industry.

The enclosed draft of a joint resolution is designed to effectuate that policy with results approaching as nearly as practicable the situation which would have existed had that been the expressed policy throughout the period that the system of laws involved were enacted.

Very truly yours,

MURRAY W. LATIMER.

GENERAL STATEMENT

The substance of this bill, in the form of a draft joint resolution containing recital clauses stating the background of the proposal, was transmitted to the chairman of the committee by letter of May 16, 1940, from the chairman of the Railroad Retirement Board with the recommendation that it be enacted. The draft of the bill in form of a joint resolution was cleared with the Federal Security Administrator and the Treasury Department, and the Bureau of the Budget advised that it was in accord with the program of the President.

For the purpose of supply ng themselves with fuel a number of the railroads of the country, either directly or through subsidiaries, conduct coal-mining operations. It is agreed by the employers and employees and by the several Federal administrative agencies concerned that for the purposes of social insurance and labor legislation these operations should be covered, not within the system applicable to the railroad industry, but rather by the old-age and survivors insurance system of the Social Security Act, by State unemployment compensation laws, and by the National Labor Relations Act.

The bill contains in section 6 an express provision that it shall not affect the coverage of companies or persons other than those specifically referred to.

Your committee changed the form of the resolution to a bill, and accordingly eliminated the recital clauses which, for purposes of clarifying the purpose and background of the bill, are quoted here:

Whereas certain coal-mining operations are conducted by carriers by railroad subject to the Railroad Retirement Act of 1937, Carriers Taxing Act of 1937, subchapter B of chapter 9 of the Internal Revenue Code, the Railroad Unemployment Insurance Act, the Railroad Retirement Act of 1935, and the Railway Labor Act; and

Whereas the Railroad Retirement Board has ruled that certain coal-mining companies are subject to the Railroad Retirement Act of 1935, the Railroad Retirement Act of 1937, and the Railroad Unemployment Insurance Act, on findings that such companies are owned and controlled by carriers by railroad and engaged in the mining and supplying of coal to such carriers for locomotive fuel; and

Whereas the several groups affected recommend that no coal-mining activities be covered by such acts and it is deemed expedient to act in accordance with such recommendation, and, by the enactment of specific provisions of law, to change or fix the status of coal-mining operations with respect to such acts; and

Whereas it is the intention of the Congress that this joint resolution shall not prejudice or affect in any manner the inclusion or exclusion from any of the above acts of any carrier, company, or individual other than those herein specifically mentioned and provided for; and

Whereas it is the intention of Congress that the Social Security Act, as amended, subchapters A and C of chapter 9 of the Internal Revenue Code, State unemployment compensation laws, and the National Labor Relations Act, shall be applicable to activities declared to be excluded from the laws mentioned in the first clause of this preamble, to the same extent as if none of the laws mentioned in such clause had ever been enacted.

The bill is made retroactive to the respective dates of enactment of the acts affected, except that it would not disturb pensions already granted or certain accrued unemployment-compensation rights. Tax liabilities would be equitably adjusted, and credit granted for unemployment-compensation contributions which would become payable to a State by reason of the enactment of this bill.

EXPLANATION OF THE BILL

Sections 1 and 2: These sections amend retroactively the definition of "employer" in the Railroad Retirement Act of 1937, the Carriers Taxing Act, subchapter B of chapter 9 of the Internal Revenue Code, and the Railroad Unemployment Insurance Act, and the corresponding definition of "carrier" in the Railroad Retirement Act of 1935 and the Railway Labor Act, to give effect to the agreement that coal-mining subsidiaries should not be embraced within the coverage of any of these acts.

Section 3: This section amends retroactively the definition of "employee" in each of the above acts so as to exclude from that term a worker engaged in coal-mining operations. This section is necessary in order to exclude the miners in mines operated directly by carriers.

Section 4: Subsection (a) of this section makes it clear that the Social Security Act (in its original form and as amended) and subchapters A and C of chapter 9 of the Internal Revenue Code are to be construed in accordance with the amendments effected by the bill, and that the coverage excluded from the railroad acts is to be picked up in the social-security system.

Section 4 (b) provides that the bill shall not operate to authorize refund of, or relief from liability for, taxes under the Carriers Taxing Act of 1937 or the corresponding provisions of the Internal Revenue Code (subchapter B of chapter 9) paid or accrued prior to the date of

enactment of the bill with respect to service performed in the employ of a carrier by railroad subject to part I of the Interstate Commerce Act. However, such taxes paid to a collector of internal revenue with respect to services excluded by the bill from coverage under the Carriers Taxing Act of 1937 and subchapter B of chapter 9 of the Internal Revenue Code may be credited against tax accrued or accruing, by reason of the amendments contained in the bill, under title VIII of the Social Security Act and the corresponding provisions of the Internal Revenue Code (subchapter A of chapter 9).

Subsection (c) of section 4 provides that nothing in the bill shall operate (1) to affect any annuity, pension, or death benefit granted under the railroad retirement acts of 1935 or 1937 prior to the enactment of the bill into law or (2) to include any of the services on the basis of which any such annuity or pension was granted, as employment within the meaning of section 210 (b) of the Social Security Act as originally enacted, or section 209 (b) of such act as amended by the Social Security Act Amendments of 1939 and other provisions of law.

Under this provision annuities, pensions, or death benefits granted under the Railroad Retirement Acts prior to the date of enactment of this bill are not to be disturbed, and the services on the basis of which any annuity or pension was granted are not to be treated as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of that act, as amended.

Although the bill does not affect any death benefit granted under the Railroad Retirement Acts prior to the bill's enactment, it permits basing of Social Security benefits on the same services which were the basis for payment of the death benefit. In order, however, to effect a proper balance between the wages paid for the services on the basis of which the death benefit was granted and the total of Federal benefit payments based on such services, it is provided that, if any insurance benefit or benefits become payable under the Social Security Act as amended, on the basis of the services with respect to which the death benefit was granted under the Retirement Acts, the total amount of the death benefit will be deducted from such Social Security benefits. Thus, the death benefit is treated in the same manner as a lump-sum payment under section 204 of the Social Security Act in effect prior to January 1, 1940.

Subsection (d) of section 4 operates to save benefit rights under the Railroad Unemployment Insurance Act for unemployment occurring prior to the effective date of this bill, but benefit rights under that act for unemployment after the effective date of the bill will be cut off where such is the necessary effect of other provisions, particularly the retroactive provisions, of the bill.

Section 5: This section provides that any application for payment under the railroad retirement acts filed with the Railroad Retirement Board prior to, or within 60 days after, the enactment of this bill, shall, under such regulations as the Social Security Board may prescribe, be deemed to be an application filed with the Social Security Board by such individual or by any person claiming any payment with respect to the wages of such individual, under any provision of section 202 of the Social Security Act as amended.

A number of wage earners and survivors of wage earners have filed applications with the Railroad Retirement Board in the belief that

their services were rendered in an employment covered by the Railroad Retirement Acts, and have not filed an application with the Social Security Board. The result may be a loss to the wage earner of one or more of the monthly benefit payments which he might otherwise have received under the Social Security Act. This is due to the provision of the Social Security Act, as amended, to the effect that a wage earner's benefits may not begin until he has filed his application with the Social Security Board. In the case, therefore, of those wage earners who filed applications with the Railroad Retirement Board after attaining age 65 and after meeting the other conditions of eligibility under the Social Security Act, a number of months' benefits may be lost if such applications are not treated as having been filed with the Social Security Board.

Similarly, the wife, widow, child, or parent of the wage earner who may be entitled to no payment under the Railroad Retirement Acts and may have filed no application with the Railroad Retirement Board, may be deprived of one or more monthly benefit payments under the Social Security Act if the wage earner's application with the Railroad Retirement Board is not treated as an application for social security benefits on behalf of his wife, widow, child, or parent.

Section 6: This section emphasizes the purpose of the bill, as set forth in the general statement of the report, that nothing contained in the bill, nor the action of Congress in adopting it, shall be taken or considered as affecting the question of what carriers, companies, or individuals other than those specifically provided for in the bill, are included or excluded from the provisions of the various laws affected by the bill.

Section 7 of the bill contains provisions which are designed to relieve taxpayers made subject by the provisions of the bill to the tax under subchapter C of chapter 9 of the Internal Revenue Code for the calendar year 1939 from hardships which otherwise would result from their inability to pay the tax (as well as State contributions) on or before January 31, 1940, the due date of the tax for such calendar year.

Subsection (a) of this section provides for relief from the imposition of interest during the period February 1, 1940, to the eighty-ninth day after the date of enactment of the bill by reason of delinquency in the payment of the Federal unemployment tax with respect to services affected by the bill. This relief is granted, however, only if contributions under the Railroad Unemployment Insurance Act with respect to such services have been paid to the Railroad Retirement Board prior to the date of enactment of the bill.

Subsection (b) of this section provides for the allowance under certain conditions of the full 90-percent credit against the Federal unemployment tax for contributions paid to State unemployment funds with respect to services affected by the bill. In order that such credit may be allowed, State contributions with respect to such services must be paid into the State fund before the ninetieth day after the date of enactment of the bill. Also Railroad Unemployment Insurance Act contributions with respect to such services must have been paid to the Railroad Retirement Board prior to such date of enactment. In all other respects the conditions of the allowance of credit contained in section 1601 (a) of the Internal Revenue Code are applicable.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (new matter is printed in italics; existing law in which no change is proposed is shown in roman):

Section 1 (a) of the Railroad Retirement Act of 1937:

SECTION 1. For the purposes of this Act—

(a) The term "employer" means any carrier (as defined in subsection (m) of this section), and any company which is directly or indirectly owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver, trustee, or other individual or body, judicial or otherwise, when in the possession of the property or operating all or any part of the business of any such employer: *Provided, however,* That the term "employer" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Board, or upon complaint of any party interested, to determine after hearing whether any line operated by electric power falls within the terms of this proviso. The term "employer" shall also include railroad associations, traffic associations, tariff bureaus, demurrage bureaus, weighing and inspection bureaus, collection agencies and other associations, bureaus, agencies, or organizations controlled and maintained wholly or principally by two or more employers as hereinbefore defined and engaged in the performance of services in connection with or incidental to railroad transportation; and railway labor organizations, national in scope, which have been or may be organized in accordance with the provisions of the Railway Labor Act, as amended, and their State and National legislative committees and their general committees and their insurance departments and their local lodges and divisions, established pursuant to the constitution and bylaws of such organizations. *The term "employer" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.*

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Section 1 (a) of the Carriers Taxing Act of 1937:

SECTION 1. That as used in this Act—

(a) The term "employer" means any carrier (as defined in subsection (i) of this section), and any company which is directly or indirectly owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver, trustee, or other individual or body, judicial or otherwise, when in the possession of the property or operating all or any part of the business of any such employer: *Provided, however,* That the term "employer" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Commissioner of Internal Revenue, or upon complaint of any party interested, to determine after hearing whether any line operated by electric power falls within the terms of this proviso. The term "employer" shall also include railroad associations, traffic associations, tariff bureaus, demurrage bureaus, weighing and inspection bureaus, collection agencies and other associations, bureaus, agencies, or organizations controlled and maintained wholly or principally by two or more employers as hereinbefore

defined and engaged in the performance of services in connection with or incidental to railroad transportation; and railway labor organizations, national in scope, which have been or may be organized in accordance with the provisions of the Railway Labor Act, as amended, and their State and National legislative committees and their general committees and their insurance departments and their local lodges and divisions, established pursuant to the constitution and bylaws of such organizations. *The term "employer" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.*

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Section 1532 (a) of the Internal Revenue Code:

SEC. 1532. DEFINITIONS.—As used in this subchapter—

(a) EMPLOYER.—The term "employer" means any carrier (as defined in subsection (h) of this section), and any company which is directly or indirectly owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment, or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver, trustee, or other individual or body, judicial or otherwise, when in the possession of the property or operating all or any part of the business of any such employer: *Provided, however,* That the term "employer" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Commissioner of Internal Revenue, or upon complaint of any party interested, to determine after hearing whether any line operated by electric power falls within the terms of this proviso. The term "employer" shall also include railroad associations, traffic associations, tariff bureaus, demurrage bureaus, weighing and inspection bureaus, collection agencies, and other associations, bureaus, agencies, or organizations controlled and maintained wholly or principally by two or more employers as hereinbefore defined and engaged in the performance of services in connection with or incidental to railroad transportation; and railway labor organizations, national in scope, which have been or may be organized in accordance with the provisions of the Railway Labor Act, as amended, and their State and National legislative committees, and their general committees, and their insurance departments, and their local lodges and divisions, established pursuant to the constitution and bylaws of such organizations. *The term "employer" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.*

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Section 1 (a) of the Railroad Unemployment Insurance Act:

SECTION 1. For the purposes of this Act, except when used in amending the provisions of other Acts—

(a) The term "employer" means any carrier (as defined in subsection (b) of this section), and any company which is directly or indirectly owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver, trustee, or other individual or body, judicial or otherwise, when in the possession of the property or operating all or any part of the business of any such employer: *Provided, however,* That the term "employer" shall not include any street, interrurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Board, or upon complaint of any party interested,

to determine after hearing whether any line operated by electric power falls within the terms of this proviso. The term "employer" shall also include railroad associations, traffic associations, tariff bureaus, demurrage bureaus, weighing and inspection bureaus, collection agencies, and other associations, bureaus, agencies, or organizations controlled and maintained wholly or principally by two or more employers as hereinbefore defined and engaged in the performance of services in connection with or incidental to railroad transportation; and railway labor organizations, national in scope, which have been or may be organized in accordance with the provisions of the Railway Labor Act, and their State and National legislative committees and their general committees and their insurance departments and their local lodges and divisions, established pursuant to the constitution and bylaws of such organizations. *The term "employer" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.*

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Section 1 (a) of the Railroad Retirement Act of 1935, as amended:

SECTION 1. For the purposes of this Act—

(a) The term "carrier" means any express company, sleeping-car company, or carrier by railroad, subject to the Interstate Commerce Act, and any company which may be directly or indirectly owned or controlled thereby or under common control therewith, and which operates any equipment or facilities or performs any service (other than trucking service) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver, trustee, or other individual or body, judicial or otherwise, when in the possession of and operating the business of any such "carrier": *Provided, however,* That the term "carrier" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Board or upon complaint of any party interested to determine after hearing whether any line operated by electric power falls within the terms of this proviso. *The term "carrier" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to a carrier where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.*

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Paragraph First of section 1 of the Railway Labor Act, as amended:

SECTION 1. When used in this Act and for the purposes of this Act—

First. The term "carrier" includes any express company, sleeping-car company, carrier by railroad, subject to the Interstate Commerce Act, and any company which is directly or indirectly owned or controlled by or under common control with any carrier by railroad and which operates any equipment or facilities or performs any service (other than trucking service) in connection with the transportation, receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, and handling of property transported by railroad, and any receiver, trustee, or other individual or body, judicial or otherwise, when in the possession of any such "carrier": *Provided, however,* That the term "carrier" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Mediation Board or upon complaint of any party interested to determine after hearing whether any line operated by electric power falls within the terms of this proviso. ***The term "carrier" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.***

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Section 1 (b) of the Railroad Retirement Act of 1937:

(b) The term "employee" means (1) any individual in the service of one or more employers for compensation, (2) any individual who is in the employment relation to one or more employers, and (3) an employee representative. The term "employee" shall include an employee of a local lodge or division defined as an employer in subsection (a) only if he was in the service of or in the employment relation to a carrier on or after the enactment date. The term "employee representative" means any officer or official representative of a railway labor organization other than a labor organization included in the term "employer" as defined in section 1 (a) who before or after the enactment date was in the service of an employer as defined in section 1 (a) and who is duly authorized and designated to represent employees in accordance with the Railway Labor Act, as amended, and any individual who is regularly assigned to or regularly employed by such officer or official representative in connection with the duties of his office.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

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Section 1 (b) of the Carriers Taxing Act of 1937:

(b) The term "employee" means any person in the service of one or more employers for compensation: *Provided, however,* That the term "employee" shall include an employee of a local lodge or division defined as an employer in subsection (a) only if he was in the service of or in the employment relation to a carrier on or after August 29, 1935. An individual is in the employment relation to a carrier if he is on furlough, subject to call for service within or outside the United States and ready and willing to serve, or on leave of absence, or absent on account of sickness or disability; all in accordance with the established rules and practices in effect on the carrier: *Provided further,* That an individual shall not be deemed to have been on August 29, 1935, in the employment relation to a carrier not conducting the principal part of its business in the United States unless during the last pay-roll period in which he rendered service to it prior to said date, he rendered service to it in the United States.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

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Section 1532 (b) of the Internal Revenue Code:

(b) Employee.—The term "employee" means any person in the service of one or more employers for compensation: *Provided, however,* That the term "employee" shall include an employee of a local lodge or division defined as an employer in subsection (a) only if he was in the service of or in the employment relation to a carrier on or after August 29, 1935. An individual is in the employment relation to a carrier if he is on furlough, subject to call for service within or outside the United States and ready and willing to serve, or on leave of absence, or absent on account of sickness or disability; all in accordance with the established rules and practices in effect on the carrier: *Provided further,* That an individual shall not be deemed to have been on August 29, 1935, in the employment relation to a carrier not conducting the principal part of its business in the United States unless during the last pay-roll period in which he rendered service to it prior to said date, he rendered service to it in the United States.

The term "employee" includes an officer of an employer.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

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Section 1 (d) of the Railroad Unemployment Insurance Act:

(d) The term "employee" (except when used in phrases establishing a different meaning) means any individual who is or had been (i) in the service of one or more employers for compensation, or (ii) an employee representative. The term "employee" shall include an employee of a local lodge or division defined as an employer in section 1(a) only if he was in the service of a carrier on or after August 29, 1935. The term "employee" includes an officer of an employer.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

An individual is in the service of an employer whether his service is rendered within or without the United States if he is subject to the continuing authority of the employer to supervise and direct the manner of rendition of his service, which service he renders for compensation: *Provided, however,* That an individual shall be deemed to be in the service of an employer not conducting the principal part of its business in the United States only when he is rendering service to it in the United States.

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Section 1 (b) of the Railroad Retirement Act of 1935, as amended:

(b) The term "employee" means any person (1) who shall be at the enactment hereof or shall have been at any time after the enactment thereof in the service of a carrier, or who shall be at the enactment hereof or shall have been at any time after the enactment hereof in the employment relation to a carrier, and (2) each officer or other official representative of an "employee organization," herein called "representative" who before or after the enactment hereof has performed service for a carrier, who at the enactment hereof or at any time after the enactment is or shall be duly designated and authorized to represent employees in accordance with the Railway Labor Act, and who, during, or immediately following employment by a carrier, is, shall be, or shall have been engaged in such representative service in behalf of such employees.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

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Paragraph Fifth of section 1 of the Railway Labor Act, as amended:

Fifth. The term "employee" as used herein includes every person in the service of a carrier (subject to its continuing authority to supervise and direct the manner of rendition of his service) who performs any work defined as that of an employee or subordinate official in the orders of the Interstate Commerce Commission now in effect, and as the same may be amended or interpreted by orders hereafter entered by the Commission pursuant to the authority which is hereby conferred upon it to enter orders amending or interpreting such existing orders: *Provided, however,* That no occupational classification made by order of the Interstate Commerce Commission shall be construed to define the crafts according to which railway employees may be organized by their voluntary action, nor shall the jurisdiction or powers of such employee organizations be regarded as in any way limited or defined by the provisions of this Act or by the orders of the Commission.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

O

Union Calendar No. 962

76TH CONGRESS
3D SESSION

H. R. 9955

[Report No. 2503]

IN THE HOUSE OF REPRESENTATIVES

MAY 29, 1940

Mr. LEA introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

JUNE 11, 1940

Reported with amendments, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 (a) of the Railroad Retirement Act of 1937, section 1 (a) of the Carriers Taxing Act of 1937, section 1532 (a) of the Internal Revenue Code, and section 1 (a) of the Railroad Unemployment Insurance Act are amended, effective in the case of each such Act as of the date of its enactment, by adding at the end of each such

section the following new sentence: "The term 'employer' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 2. Section 1 (a) of the Railroad Retirement Act of 1935 and paragraph ~~"First"~~ *First* of section 1 of the Railway Labor Act, as amended, are amended, effective in the case of each such Act as of the date of its enactment, by adding at the end of each such section and paragraph the following new sentence: "The term 'carrier' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to a carrier where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 3. Section 1 (b) of the Railroad Retirement Act of 1937, section 1 (b) of the Carriers Taxing Act of 1937, section 1532 (b) of the Internal Revenue Code, the first paragraph of section 1 (d) of the Railroad Unemployment Insurance Act, section 1 (b) of the Railroad Retirement Act 1935, and paragraph ~~"Fifth"~~ *Fifth* of section 1 of the Railway Labor Act, as amended, are amended, in the case of each such Act as of the date of its enactment, by adding

at the end of each such section and paragraph the following new paragraph:

"The term 'employee' shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple."

SEC. 4. (a) The laws hereby expressly amended, the Social Security ~~Act~~ *Act*, approved August 14, 1935, and all amendments thereto, shall operate as if each amendment herein contained had been enacted as a part of the law it amends, at the time of the original enactment of such law.

(b) No person (as defined in the Carriers Taxing Act of 1937) shall be entitled, by reason of the provisions of this Act, to a refund of, or relief from liability for, any income or excise taxes paid or accrued, pursuant to the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, prior to the date of the enactment of this Act by reason of employment in the service of any carrier by railroad subject to ~~the~~ part I of the Interstate Commerce Act, but any individual who has been employed in such service of any carrier by railroad subject to part I of the Interstate Commerce ~~Act,~~ *Act* as is

excluded by the amendments made by this Act from coverage under the Carriers Taxing Act of 1937 and subchapter B of chapter 9 of the Internal Revenue Code, and who has paid income taxes under the provisions of such Act or subchapter, and any carrier by railroad subject to part I of the Interstate Commerce Act which has paid excise taxes under the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, may, upon making proper application therefor to the Bureau of Internal Revenue, have the amount of taxes so paid applied in reduction of such tax liability with respect to employment, as may, by reason of the amendments made by this Act, accrue against them under the provisions of title VIII of the Social Security Act or the Federal Insurance Contributions Act (subchapter A of chapter 9 of the Internal Revenue Code).

(c) Nothing contained in this Act shall operate (1) to affect any annuity, pension, or death benefit granted under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, prior to the date of enactment of this Act, or (2) to include any of the services on the basis of which any such annuity or pension was granted, as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of such Act, as amended. In any case in which a death benefit alone has been granted,

the amount of such death benefit attributable to services, coverage of which is affected by this Act, shall be deemed to have been paid to the deceased under section 204 of the Social Security Act in effect prior to January 1, 1940, and deductions shall be made from any insurance benefit or benefits payable under the Social Security Act, as amended, with respect to wages paid to an individual for such services until such deductions total the amount of such death benefit attributable to such services.

(d) Nothing contained in this Act shall operate to affect the benefit rights of any individual under the Railroad Unemployment Insurance Act for any day of unemployment (as defined in section 1 (k) of such Act) occuring prior to the date of enactment of this Act.

SEC. 5. Any application for payment filed with the Railroad Retirement Board prior to, or within sixty days after, the enactment of this Act shall, under such regulations as the Social Security Board may prescribe, be deemed to be an application filed with the Social Security Board by such individual or by any person claiming any payment with respect to the wages of such individual, under any provision of section 202 of the Social Security Act, as amended.

SEC. 6. Nothing contained in this Act, nor the action of Congress in adopting it, shall be taken or considered as affecting the question of what carriers, companies, or indi-

viduals, other than those in this Act specifically provided for, are included in or excluded from the provisions of the various laws to which this Act is an amendment.

SEC. 7. (a) Notwithstanding the provisions of section 1605 (b) of the Internal Revenue Code, no interest shall, during the period February 1, 1940, to the eighty-ninth day after the date of enactment of this Act, inclusive, accrue by reason of delinquency in the payment of the tax imposed by section 1600 with respect to services affected by this Act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this Act.

(b) Notwithstanding the provisions of section 1601 (a) (3) of the Internal Revenue Code, the credit allowable under section 1601 (a) against the tax imposed by section 1600 for the calendar year 1939 shall not be disallowed or reduced by reason of the payment into a State unemployment fund after January 31, 1940, of contributions with respect to services affected by this Act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this Act:

Provided, That this subsection shall be applicable only if the contributions with respect to such services are paid into the State unemployment fund before the ninetieth day after the date of enactment of this Act.

Amend the title so as to read: "A bill to provide for more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes."

Union Calendar No. 962

76TH CONGRESS
3D SESSION

H. R. 9955

[Report No. 2503]

A BILL

To provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes.

By Mr. LEA

MAY 29, 1940

Referred to the Committee on Interstate and Foreign Commerce

JUNE 11, 1940

Reported with amendments, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed

Calendar No. 1828

76TH CONGRESS, 3d Session | SENATE | REPORT No. 1744

EXEMPTION OF CERTAIN COAL-MINING EMPLOYEES FROM THE RAIL RETIREMENT, RAIL UNEMPLOYMENT, AND OTHER ACTS

JUNE 3 (legislative day, MAY 28), 1940.—Ordered to be printed

Mr. WHEELER (for himself and Mr. SCHWARTZ), from the Committee on Interstate Commerce, submitted the following

REPORT

[To accompany S. 4070]

The Committee on Interstate Commerce, to whom was referred the bill (S. 4070) to provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal acts, and for other purposes, having considered and amended the same, report thereon with a recommendation that the bill do pass with the following amendments:

On page 2, section 2, line 7, delete quotation marks from word "First".

On page 2, section 2, line 10, insert the word "each" between the words "of" and "such".

On page 2, section 3, line 21, delete upper case "P" in the word "Paragraph" and substitute lower case "p".

On page 3, section 4, line 20, insert a comma between the words "Act" and "but".

On page 3, section 4, line 21, delete the comma after the word "service"; delete the word "or" and substitute the word "of".

On page 3, section 4, line 23, delete the comma after the word "Act".

On page 5, section 5, line 14, insert a comma between the words "after" and "the"; delete the comma after the word "Act".

GENERAL STATEMENT

The substance of this bill, in the form of a draft joint resolution containing recital clauses stating the background of the proposal was transmitted to the chairman of the committee by letter of May 16 1940, from the Chairman of the Railroad Retirement Board with the recommendation that it be enacted. It was further stated that the

draft had been cleared with the Federal Security Administrator and the Treasury Department and that the Board had been advised by the Bureau of the Budget that it was in accord with the program of the President. Judge R. V. Fletcher, on behalf of the Association of American Railroads, recommended that the language of section 6 be slightly revised. On the understanding that the Railroad Retirement Board had no objection to this revision, and with the view that the substance of the proposal was not changed thereby, the draft was accordingly revised and the recital clauses eliminated before introduction of the bill.

From the recital clauses contained in the draft of joint resolution submitted and from the letter of transmittal of the Chairman of the Railroad Retirement Board, the following circumstances appear:

Certain carriers by railroad own and operate coal mines directly with their own employees. In addition, another and larger group of carriers have wholly owned subsidiaries engaged in mining coal for the purpose of servicing railroad operations through supplying locomotive fuel for the railroad system of the parent carrier. After investigation of these activities, the general counsel of the Railroad Retirement Board advised that in his opinion these activities constituted the performance of a service in connection with the transportation of persons and property by railroad and that, consequently, these companies were employers, as the term "employer" is defined in the Railroad Retirement Acts and the Railroad Unemployment Insurance Act, as companies—

> owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad.

The companies affected disagreed and requested a hearing before the Board. This request was granted, elaborate evidence was presented before an examiner, and arguments were made before the Board. Upon consideration of the evidence and argument, the Board found itself compelled by the statutory language to conclude that these companies are legally subject to the Railroad Retirement Acts and the Railroad Unemployment Insurance Act. The opinion of the Board with respect to the status of Union Pacific Coal Co., copy of which has been forwarded to the committee, shows that the conclusion was dictated not by any feeling of the Board that such coal mining operations ought, as a matter of policy, to be covered by the acts administered by the Board, but rather by consistent application of the interpretation of the acts promulgated in rulings that other carrier affiliates engaged in such activities as manufacturing and supplying equipment parts, furnishing water for locomotives, furnishing auxiliary or substitute bus or water transportation, furnishing dining facilities, treating ties, transmitting telegraphic communications, providing hospital and medical facilities, and providing maintenance of buildings, are employers subject to the acts. The Board, as well as railroad employers, railroad employees, the mine workers, the Federal Security Administrator and State unemployment compensation administrations, believes that as a matter of policy such coal-mining activities, whether conducted directly by carriers or by subsidiaries of carriers, should for purposes of a social-insurance program and for purposes of labor relations be covered by the system of

laws applicable to coal mining generally rather than the system of laws applicable to the railroad industry. The committee believes such a policy to be sound and, accordingly, recommends the enactment of S. 4070 so as to exclude coal-mining operations from the acts covering the railroad industry without disturbing or prejudicing the application of those acts to other railroad affiliates. Section 6 of the bill makes this purpose clear.

EXPLANATION OF THE BILL

Section 1 of the bill limits the term "employer" as used in section 1 (a) of the Railroad Retirement Act of 1937, section 1 (a) of the Carriers Taxing Act of 1937, section 1532 (a) of the Internal Revenue Code and section 1 (a) of the Railroad Unemployment Insurance Act to exclude carrier subsidiaries from coverage by reason of their being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities. Section 2 places the same limitation upon the term "carrier" as defined in section 1 (a) of the Railroad Retirement Act of 1935 and paragraph first of section 1 of the Railway Labor Act, as amended. Section 3 deals with those employees involved in coal mining carried on directly by carriers. Such employees, while engaged in the physical operations consisting of the mining, preparation, or handling of coal not beyond the mine tipple, or the loading of coal at the tipple, are excluded from the term "employee" as defined in section 1 (b) of the Railroad Retirement Act of 1937, section 1 (b) of the Carriers Taxing Act of 1937, section 1532 (b) of the Internal Revenue Code, the first paragraph of section 1 (d) of the Railroad Unemployment Insurance Act, section 1 (b) of the Railroad Retirement Act of 1935, and paragraph fifth of section 1 of the Railway Labor Act, as amended.

Section 4 of the bill makes the amendments provided in the first three sections retroactive to the date of enactment of the respective laws with the following exceptions:

Carriers and carrier employees who are excluded from the several acts are not to be given refunds of, or relief from liability for, taxes paid or accrued under the Carriers Taxing Act or subchapter B of chapter 9 of the Internal Revenue Code prior to the date of enactment of the present bill, but such taxpayers may have the amount of taxes so paid applied in reduction of tax liability with respect to employment accruing by reason of the enactment of this bill under the provisions of title VIII of the Social Security Act or the Federal Insurance Contributions Act. Further, annuities, pensions, or death benefits granted under the Railroad Retirement Acts prior to the date of enactment of this bill are not to be disturbed and the services on the basis of which any annuity or pension was granted is not to be treated as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of that act as amended, but in the event that a death benefit alone has been granted the amount of the death benefit attributable to services whose coverage is affected by this bill is to be treated as though it had been a payment made under section 204 of the Social Security Act as that act stood prior to January 1, 1940. Also, the benefit rights of any individual under the Railroad Unemployment Insurance Act for any day of unemployment occurring prior to the date of enactment of the bill are preserved.

It is made clear that applications for payment filed with the Railroad Retirement Board up to 60 days after the enactment of this bill may, subject to regulations prescribed by the Social Security Board, be treated as applications under any provision of section 202 of the Social Security Act, as amended. Finally, it is provided that the retroactive accrual of taxes shall not operate to penalize taxpayers who have been complying with the law and who effect timely compliance with their changed obligations after the enactment of this bill.

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Union Calendar No. 962

76TH CONGRESS
3D SESSION

H. R. 9955

[Report No. 2503]

IN THE HOUSE OF REPRESENTATIVES

MAY 29, 1940

Mr. LEA introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

JUNE 11, 1940

Reported with amendments, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed

[Omit the part struck through and insert the part printed in italic]

A BILL

To provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 (a) of the Railroad Retirement Act of 1937, section 1 (a) of the Carriers Taxing Act of 1937, section 1532 (a) of the Internal Revenue Code, and section 1 (a) of the Railroad Unemployment Insurance Act are amended, effective in the case of each such Act as of the date of its enactment, by adding at the end of each such

section the following new sentence: "The term 'employer' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 2. Section 1 (a) of the Railroad Retirement Act of 1935 and paragraph ~~"First"~~ *First* of section 1 of the Railway Labor Act, as amended, are amended, effective in the case of each such Act as of the date of its enactment, by adding at the end of each such section and paragraph the following new sentence: "The term 'carrier' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to a carrier where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 3. Section 1 (b) of the Railroad Retirement Act of 1937, section 1 (b) of the Carriers Taxing Act of 1937, section 1532 (b) of the Internal Revenue Code, the first paragraph of section 1 (d) of the Railroad Unemployment Insurance Act, section 1 (b) of the Railroad Retirement Act 1935, and paragraph ~~"Fifth"~~ *Fifth* of section 1 of the Railway Labor Act, as amended, are amended, in the case of each such Act as of the date of its enactment, by adding

at the end of each such section and paragraph the following new paragraph:

"The term 'employee' shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple."

SEC. 4. (a) The laws hereby expressly amended, the Social Security ~~Act~~ *Act*, approved August 14, 1935, and all amendments thereto, shall operate as if each amendment herein contained had been enacted as a part of the law it amends, at the time of the original enactment of such law.

(b) No person (as defined in the Carriers Taxing Act of 1937) shall be entitled, by reason of the provisions of this Act, to a refund of, or relief from liability for, any income or excise taxes paid or accrued, pursuant to the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, prior to the date of the enactment of this Act by reason of employment in the service of any carrier by railroad subject to ~~the~~ part I of the Interstate Commerce Act, but any individual who has been employed in such service of any carrier by railroad subject to part I of the Interstate Commerce ~~Act,~~ *Act* as is

excluded by the amendments made by this Act from coverage under the Carriers Taxing Act of 1937 and subchapter B of chapter 9 of the Internal Revenue Code, and who has paid income taxes under the provisions of such Act or subchapter, and any carrier by railroad subject to part I of the Interstate Commerce Act which has paid excise taxes under the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, may, upon making proper application therefor to the Bureau of Internal Revenue, have the amount of taxes so paid applied in reduction of such tax liability with respect to employment, as may, by reason of the amendments made by this Act, accrue against them under the provisions of title VIII of the Social Security Act or the Federal Insurance Contributions Act (subchapter A of chapter 9 of the Internal Revenue Code).

(c) Nothing contained in this Act shall operate (1) to affect any annuity, pension, or death benefit granted under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, prior to the date of enactment of this Act, or (2) to include any of the services on the basis of which any such annuity or pension was granted, as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of such Act, as amended. In any case in which a death benefit alone has been granted,

the amount of such death benefit attributable to services, coverage of which is affected by this Act, shall be deemed to have been paid to the deceased under section 204 of the Social Security Act in effect prior to January 1, 1940, and deductions shall be made from any insurance benefit or benefits payable under the Social Security Act, as amended, with respect to wages paid to an individual for such services until such deductions total the amount of such death benefit attributable to such services.

(d) Nothing contained in this Act shall operate to affect the benefit rights of any individual under the Railroad Unemployment Insurance Act for any day of unemployment (as defined in section 1 (k) of such Act) occuring prior to the date of enactment of this Act.

SEC. 5. Any application for payment filed with the Railroad Retirement Board prior to, or within sixty days after, the enactment of this Act shall, under such regulations as the Social Security Board may prescribe, be deemed to be an application filed with the Social Security Board by such individual or by any person claiming any payment with respect to the wages of such individual, under any provision of section 202 of the Social Security Act, as amended.

SEC. 6. Nothing contained in this Act, nor the action of Congress in adopting it, shall be taken or considered as affecting the question of what carriers, companies, or indi-

viduals, other than those in this Act specifically provided for, are included in or excluded from the provisions of the various laws to which this Act is an amendment.

SEC. 7. (a) Notwithstanding the provisions of section 1605 (b) of the Internal Revenue Code, no interest shall, during the period February 1, 1940, to the eighty-ninth day after the date of enactment of this Act, inclusive, accrue by reason of delinquency in the payment of the tax imposed by section 1600 with respect to services affected by this Act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this Act.

(b) Notwithstanding the provisions of section 1601 (a) (3) of the Internal Revenue Code, the credit allowable under section 1601 (a) against the tax imposed by section 1600 for the calendar year 1939 shall not be disallowed or reduced by reason of the payment into a State unemployment fund after January 31, 1940, of contributions with respect to services affected by this Act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this Act:

Provided, That this subsection shall be applicable only if the contributions with respect to such services are paid into the State unemployment fund before the ninetieth day after the date of enactment of this Act.

Amend the title so as to read: "A bill to provide for more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes."

Union Calendar No. 962

76TH CONGRESS
3D SESSION

H. R. 9955

[Report No. 2503]

A BILL

To provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes.

By Mr. LEA

MAY 29, 1940

Referred to the Committee on Interstate and Foreign Commerce

JUNE 11, 1940

Reported with amendments, committed to the Committee of the Whole House on the state of the Union, and ordered to be printed

INSURANCE BENEFITS FOR CERTAIN PERSONS ENGAGED IN COAL-MINING OPERATIONS

Mr. WHEELER. Mr. President, I move that the Senate proceed to the consideration of Senate bill 4070, Calendar No. 1828.

Mr. DANAHER. Mr. President, I did not understand from the reading clerk what happened to Calendar No. 2094, Senate Joint Resolution 286.

The PRESIDENT pro tempore. That is the National Guard bill, which, under the agreement, will come up on Monday.

Mr. DANAHER. I thank the Chair.

Mr. McNARY. Mr. President——

The PRESIDENT pro tempore. Does the Senator from Montana yield to the Senator from Oregon?

Mr. WHEELER. I do.

Mr. McNARY. Has request been made to proceed to the consideration of Senate bill 4070?

Mr. WHEELER. Yes.

Mr. ADAMS. There is a measure on the calendar which was passed over and which should be considered.

Mr. WHEELER. Let me dispose of this bill, and then I shall have no objection.

Mr. McNARY. May I ask the character of the proposed legislation?

Mr. WHEELER. I think there is no opposition whatsoever to it.

Mr. McNARY. I am not myself indicating any opposition.

Mr. WHEELER. It has been held that captive mines come under the Railroad Retirement Act. This bill merely attempts to correct the interpretation which has been put upon the law by the Retirement Board. The Board is in favor of the proposed legislation, the railroads, the mining companies, and the railroad brotherhoods are all in favor of it.

Mr. DAVIS. The miners are also in favor of it.

Mr. WHEELER. The miners are in favor of it; so everyone interested is in favor of it.

Mr. McNARY. Did the committee favorably report the bill?

Mr. WHEELER. Yes; the bill was unanimously reported by the committee.

Mr. McNARY. I have no objection.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill (S. 4070) to provide for the more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal acts, and for other purposes, which had been reported from the Committee on Interstate Commerce with amendments, in section 2, page 2, line 11, after the words "end of", to insert the word "each"; in section 3, page 2, line 22, before the word "Fifth", to strike out "Paragraph" and to insert "paragraph"; in section 4, page 3, line 22, to insert a comma between "Act" and "but"; in line 23, after the word "service", to strike out the comma and the word "or" and to insert the word "of"; in section 5, page 5, line 17, after the word "after", insert a comma, and after the word "Act", to strike out the comma, so as to make the bill read:

Be it enacted, etc., That section 1 (a) of the Railroad Retirement Act of 1937, section 1 (a) of the Carriers Taxing Act of 1937, section 1532 (a) of the Internal Revenue Code, and section 1 (a) of the Railroad Unemployment Insurance Act are amended, effective in the case of each such act as of the date of its enactment, by adding at the end of each such section the following new sentence: "The term 'employer' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 2. Section 1 (a) of the Railroad Retirement Act of 1935 and paragraph First of section 1 of the Railway Labor Act, as amended, are amended, effective in the case of each such act as

of the date of its enactment, by adding at the end of each such section and paragraph the following new sentence: "The term 'carrier' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to a carrier where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 3. Section 1 (b) of the Railroad Retirement Act of 1937, section 1 (b) of the Carriers Taxing Act of 1937, section 1532 (b) of the Internal Revenue Code, the first paragraph of section 1 (d) of the Railroad Unemployment Insurance Act, section 1 (b) of the Railroad Retirement Act of 1935, and paragraph Fifth of section 1 of the Railway Labor Act, as amended, are amended, in the case of each such act as of the date of its enactment, by adding at the end of each such section and paragraph the following new paragraph:

"The term 'employee' shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple."

SEC. 4. (a) The laws hereby expressly amended, the Social Security Act, approved August 14, 1935, and all amendments thereto, shall operate as if each amendment herein contained had been enacted as a part of the law it amends, at the time of the original enactment of such law.

(b) No person (as defined in the Carriers Taxing Act of 1937) shall be entitled, by reason of the provisions of this act, to a refund of, or relief from liability for, any income or excise taxes paid or accrued, pursuant to the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, prior to the date of the enactment of this act by reason of employment in the service of any carrier by railroad subject to part I of the Interstate Commerce Act, but any individual who has been employed in such service of any carrier by railroad subject to part I of the Interstate Commerce Act, as is excluded by the amendments made by this act from coverage under the Carriers Taxing Act of 1937 and subchapter B of chapter 9 of the Internal Revenue Code, and who has paid income taxes under the provisions of such act or subchapter, and any carrier by railroad subject to part I of the Interstate Commerce Act which has paid excise taxes under the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code may, upon making proper application therefor to the Bureau of Internal Revenue, have the amount of taxes so paid applied in reduction of such tax liability with respect to employment, as may, by reason of the amendments made by this act, accrue against them under the provisions of title VIII of the Social Security Act or the Federal Insurance Contributions Act (subchapter A of chapter 9 of the Internal Revenue Code).

(c) Nothing contained in this act shall operate (1) to affect any annuity, pension, or death benefit granted under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, prior to the date of enactment of this act, or (2) to include any of the services on the basis of which any such annuity or pension was granted, as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of such act, as amended. In any case in which a death benefit alone has been granted, the amount of such death benefit attributable to services, coverage of which is affected by this act, shall be deemed to have been paid to the deceased under section 204 of the Social Security Act in effect prior to January 1, 1940, and deductions shall be made from any insurance benefit or benefits payable under the Social Security Act, as amended, with respect to wages paid to an individual for such services until such deductions total the amount of such death benefit attributable to such services.

(d) Nothing contained in this act shall operate to affect the benefit rights of any individual under the Railroad Unemployment Insurance Act for any day of unemployment (as defined in section 1 (k) of such act) occurring prior to the date of enactment of this act.

SEC. 5. Any application for payment filed with the Railroad Retirement Board prior to, or within 60 days after, the enactment of this act, shall, under such regulations as the Social Security Board may prescribe, be deemed to be an application filed with the Social Security Board by such individual or by any person claiming any payment with respect to the wages of such individual, under any provision of section 202 of the Social Security Act, as amended.

SEC. 6. Nothing contained in this act, nor the action of Congress in adopting it, shall be taken or considered as affecting the question of what carriers, companies, or individuals, other than those in this act specifically provided for, are included in or excluded from the provisions of the various laws to which this act is an amendment.

SEC. 7. (a) Notwithstanding the provisions of section 1605 (b) of the Internal Revenue Code, no interest shall, during the period February 1, 1940, to the eighty-ninth day after the date of enactment of this act, inclusive, accrue by reason of delinquency in the payment of the tax imposed by section 1600 with respect to services affected by this act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this act.

(b) Notwithstanding the provisions of section 1601 (a) (3) of the Internal Revenue Code, the credit allowable under section 1601 (a) against the tax imposed by section 1600 for the calendar year 1939 shall not be disallowed or reduced by reason of the payment into a State unemployment fund after January 31, 1940, of contributions with respect to services affected by this act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this act: *Provided*, That this subsection shall be applicable only if the contributions with respect to such services are paid into the State unemployment fund before the ninetieth day after the date of enactment of this act.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

COVERAGE OF CERTAIN PERSONS EMPLOYED IN COAL-MINING OPERATIONS

Mr. CROSSER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 4070) to provide for more uniform coverage of certain persons employed in coal-mining operations, with respect to insurance benefits provided for by certain Federal acts, and for other purposes.

The SPEAKER. Is there objection?

Mr. MICHENER. Mr. Speaker, I reserve the right to object. What is the bill about?

Mr. CROSSER. Mr. Speaker, this is a bill from the Senate corresponding exactly with one reported unanimously by the House committee, taking out from under the effect of the railroad-retirement law, the unemployment-insurance law, and the Railroad Labor Act, miners who are employed by the railroad. Every one concerned is entirely satisfied, the miners, the railroads, and the railroad labor organizations.

Mr. MICHENER. Is this the situation, that the House committee reported a bill favorably. Was it unanimously reported?

Mr. CROSSER. Yes; I am right about that, am I not?

Mr. KELLER. Yes.

Mr. CROSSER. I am sure it was unanimous.

Mr. MICHENER. The Committee on Interstate and Foreign Commerce reported this bill unanimously?

Mr. CROSSER. That is correct.

Mr. MICHENER. It is now on the calendar and the Senate has passed a similar bill?

Mr. CROSSER. Identically the same.

Mr. MICHENER. Now you want to pass the Senate bill unanimously, without consideration in the House?

Mr. CROSSER. Yes.

Mr. MICHENER. That would be a rather unusual precedent, if it is an important bill at all.

Mr. CROSSER. It is a bill that is purely technical in its nature.

Mr. JENKINS of Ohio. Mr. Speaker, reserving the right to object, as I understand, this applies to miners who are employed in mines owned by railroads?

Mr. CROSSER. That is all.

Mr. JENKINS of Ohio. What kind of protection will they have if they are employees of railroads?

Mr. CROSSER. They want to come under the social security.

Mr. JENKINS of Ohio. You say they want to come under it?

Mr. CROSSER. Yes.

Mr. JENKINS of Ohio. The gentleman tells us that those representing the miners are satisfied?

Mr. CROSSER. Mr. Lewis' organization was represented before our committee, and they are the ones who asked for the legislation.

Mr. JENKINS of Ohio. How about the miners themselves?

Mr. CROSSER. I understand the miners themselves wanted it. There was some man in Columbus who wrote me asking me to bring the matter up before the House.

Mr. MICHENER. But how about the other people, other than the miners?

Mr. CROSSER. Well, I think the railroad brotherhoods are agreeable to it. I know they are.

Mr. MICHENER. It does seem that a bill of this type should not be called up after we have presumably finished the legislative program of the day and many Members have gone.

Mr. CROSSER. There was no controversy before the committee about it at all. Everybody who was at all interested was thoroughly satisfied.

Mr. MICHENER. Of course, I do not know anything about it.

Mr. CROSSER. The gentleman from New Jersey [Mr. WOLVERTON] assured me it was all right.

Mr. MICHENER. Does this take a new class of people into the social security?

Mr. CROSSER. No. We simply take these different groups from under the operation of the railroad retirement law, the unemployment insurance law, and so on, and let them go with their own group, the miners. That is all.

Mr. MICHENER. Some members of the committee who are present do not know anything about this bill. In view of that situation, I wonder if the gentleman will not withhold his request for tonight?

Mr. CROSSER. The gentleman from New Jersey [Mr. WOLVERTON] is here. I yield to him to answer the gentleman.

Mr. MICHENER. It is very unusual to bring a bill up in this manner for consideration. If it is an important matter it certainly should not be brought up in this way, at this late hour, but, as I understand, the Committee on Interstate and Foreign Commerce is for the bill.

Mr. WOLVERTON. That is true.

Mr. MICHENER. There is no opposition to it?

Mr. WOLVERTON. No.

Mr. MICHENER. Does the gentleman think it is a bill of such minor importance that it should be passed here without consideration?

Mr. WOLVERTON. I am of the opinion, in view of the unanimous favorable opinion of the committee, that it would be perfectly proper for the House to do so.

Mr. MICHENER. Was it on the Consent Calendar?

Mr. WOLVERTON. I do not know.

Mr. CROSSER. I do not think so.

Mr. MICHENER. If it was objected to, of course it should not be passed in this manner.

Mr. JENKINS of Ohio. Will the gentleman yield to me?

Mr. CROSSER. I yield.

Mr. JENKINS of Ohio. It has been some time since the Railroad Retirement Act was passed, 2 or 3 years, and rights have inured to different people. As I understand it, if a miner, worked in what we call a captive mine, a mine belonging to a railroad company, he would have had his status established—his right to participate in the railroad retirement fund. Now, if he has done that and has established a legal status, what effect will that have? I presume the gentleman has considered all that?

Mr. CROSSER. Yes. I do not know of any trouble about that. The Chairman of the Retirement Board says it is entirely satisfactory.

Mr. MICHENER. Mr. Speaker, the hour is late. Few Members are on the floor. Many understood that no further legislation would come up today. The House will be in session tomorrow. If the bill is all right, it can be called up tomorrow. I am constrained to object for the present.

Mr. KELLER. Will the gentleman yield to me for a moment?

Mr. CROSSER. I yield to the gentleman.

Mr. KELLER. I happen to have one of these mines in my district, and I know intimately the facts about it. Certain railroads own three or four large mines in the country under separate company names, but the railroads own them. All the miners are placed under social security by law. There never was any question about this until about a year ago when a railroad retirement lawyer raised the question about it and suspended the operation in favor of the miners being under the social-security law. So the miners, after waiting for some time, came down here, and I took the matter up with the Social Security Board, with the lawyers and with the Railroad Retirement Board, and they worked the thing out so that the miners go exactly where they belong, under the social security. To illustrate——

Mr. MICHENER. Now, just a moment. The gentleman has demonstrated that there is considerable to this bill, if only from a technical standpoint. I am probably in favor of it. I am not objecting to the bill, but I ask that the gentleman withdraw his request to pass it unanimously at this time.

Mr. WOLVERTON of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. CROSSER. I yield.

Mr. WOLVERTON of New Jersey. I would like to say to the gentleman from Michigan [Mr. MICHENER] that when this bill was presented to the committee it was given very careful consideration as to the effect it would have upon those who come within the provision of the bill.

Mr. MICHENER. By a subcommittee or by the full committee?

Mr. CROSSER. By the full committee.

Mr. WOLVERTON of New Jersey. We heard the parties affected and they were favorable to what is attempted to be done by this bill. We received the approval of all who would be affected by it. I do not know what further could be done than has already been done by the committee.

Mr. SCHAFER of Wisconsin. Mr. Speaker, will the gentleman yield,

Mr. MICHENER. I yield.

Mr. SCHAFER of Wisconsin. Was this bill approved by a unanimous vote of the committee reporting the bill?

Mr. CROSSER. Yes.

Mr. WOLVERTON of New Jersey. It was reported unanimously by our committee. When I say "unanimously," I could not say that every member was present.

Mr. SCHAFER of Wisconsin. No; I mean by those members who were present.

Mr. WOLVERTON of New Jersey. That is right.

Mr. SCHAFER of Wisconsin. And it has been approved by the Social Security Board?

Mr. WOLVERTON of New Jersey. As well as by everybody affected.

Mr. SCHAFER of Wisconsin. And it has been approved by the Railroad Retirement Board?

Mr. WOLVERTON of New Jersey. Yes.

Mr. SCHAFER of Wisconsin. And the railroads that are affected?

Mr. SHORT. And the bill has passed the Senate.

Mr. CROSSER. The bill passed the Senate unanimously.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. CROSSER. I yield.

Mr. CRAWFORD. Evidently there is confusion. I understood the gentleman from Ohio to say that this provided for the transfer of certain minors who were eligible for benefits under the Railroad Retirement Act.

Mr. CROSSER. The gentleman misunderstood me.

Mr. CRAWFORD. That it placed them under the Social Security Act?

Mr. KELLER. That is where they belong under the law.

Mr. CRAWFORD. Is this in substance an amendment to the Social Security Act which takes in a group of people not heretofore covered by that act?

Mr. KELLER. No.

Mr. CROSSER. No; it simply clarifies existing language. There is question as to whether or not these people employed by the railroads would come under the same ruling as railroad workers, it being developed that they are not railroad workers. It clarifies the law; that is all.

Mr. MICHENER. I must object, Mr. Speaker; there is too much confusion in the minds of some of the Members and too few Members here.

The SPEAKER. The gentleman from Michigan stated that this is an unusual way to bring up a bill of this sort. The Chair was advised that this bill came from the committee with a unanimous report. To have a bill brought in by the committee having jurisdiction when there is a unanimous report and considered in this way is not unusual, and the Chair recognizes gentlemen under those circumstances to ask unanimous consent for the consideration of bills. The Chair understands the gentleman from Michigan objects.

Mr. WOLVERTON of New Jersey. Mr. Speaker, will the gentleman withhold his objection?

Mr. MICHENER. Yes; I will withhold it.

Mr. WOLVERTON of New Jersey. Mr. Speaker, there is not any confusion that I know of in the mind of anybody who has made any study whatsoever of this bill. This is a unanimous action of the Committee on Interstate and Foreign Commerce after every precaution was taken to make certain and sure that it affected no one adversely, that it had no other effect than to clarify an uncertainty in existing law, and that it has the absolute approval of everyone who was to be affected by the change.

Mr. MICHENER. Mr. Speaker, further reserving the right to object, the rules of procedure of the House provide for the reference of bills to committees, and the committee must arrive at a conclusion. This committee has arrived at a conclusion. The rules further provide that the House, after consideration, shall arrive at a conclusion. The gentleman goes on the premise, however, that if a committee or a subcommittee has arrived at a conclusion, that should settle the matter; that it is immaterial whether the rest of the House knows anything about it or not.

Other Members of the House, as suggested by the inquiries of the gentleman from Michigan [Mr. CRAWFORD], do not understand what the bill is. Not understanding it, they are opposed to it. If that is true, we should let the matter stand over until tomorrow, when all the Members will be here. I did not mean to say that the Speaker had done an improper thing in recognizing the gentleman from Ohio [Mr. CROSSER] for a unanimous-consent request.

The SPEAKER. The Chair understands the gentleman from Michigan to object.

Mr. MICHENER. Yes.

The SPEAKER. Objection is heard.

UNIFORM COVERAGE IN FEDERAL INSURANCE BENEFITS

Mr. CROSSER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 4070) to provide for uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal acts, and for other purposes, and for its present consideration.

The SPEAKER. The gentleman from Ohio asks unanimous consent to take from the Speaker's table the bill S. 4070 and consider the same. The Clerk will report the title of the bill.

The Clerk reported the title of the bill.

The SPEAKER. Is there objection?

Mr. MICHENER. Mr. Speaker, I reserve the right to object. This is the bill that was called up the other day, which I asked to have go over.

Mr. CROSSER. That is correct.

Mr. MICHENER. I have conferred with the minority members of the committee, and have no objection at this time.

Mr. BOLLES. Mr. Speaker, I object.

The SPEAKER. The gentleman from Wisconsin objects to the request of the gentleman from Ohio?

Mr. BOLLES. I do.

Mr. CROSSER. But I understood that the gentleman had no objection.

Mr. BOLLES. Mr. Speaker, I object.

Mr. CROSSER. Mr. Speaker, will the gentleman reserve his right to object?

Mr. BOLLES. I want further examination of this bill. I want discussion of this bill. I am opposing this bill, and I object to its present consideration.

The SPEAKER. The gentleman from Wisconsin objects to the unanimous-consent request.

MORE UNIFORM COVERAGE OF CERTAIN PERSONS EMPLOYED IN COAL-MINING OPERATIONS

Mr. CROSSER. Mr. Speaker, I ask unanimous consent for the immediate consideration of the bill (S. 4070) to provide for more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided by certain Federal acts, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. CROSSER]?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That section 1 (a) of the Railroad Retirement Act of 1937, section 1 (a) of the Carriers Taxing Act of 1937, section 1532 (a) of the Internal Revenue Code, and section 1 (a) of the Railroad Unemployment Insurance Act are amended, effective in the case of each such act as of the date of its enactment, by adding at the end of each such section the following new sentence: "The term 'employer' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 2. Section 1 (a) of the Railroad Retirement Act of 1935 and paragraph first of section 1 of the Railway Labor Act, as amended, are amended, effective in the case of each such act as of the date of its enactment, by adding at the end of each such section and paragraph the following new sentence: "The term 'carrier' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to a carrier where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 3. Section 1 (b) of the Railroad Retirement Act of 1937, section 1 (b) of the Carriers Taxing Act of 1937, section 1532 (b) of the Internal Revenue Code, the first paragraph of section 1 (d) of the Railroad Unemployment Insurance Act, section 1 (b) of the Railroad Retirement Act of 1935, and paragraph fifth of section 1 of the Railway Labor Act, as amended, are amended, in the case of each such act as of the date of its enactment, by adding at the end of each such section and paragraph the following new paragraph:

"The term 'employee' shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple."

SEC. 4. (a) The laws hereby expressly amended, the Social Security Act, approved August 14, 1935, and all amendments thereto, shall operate as if each amendment herein contained had been enacted as a part of the law it amends, at the time of the original enactment of such law.

(b) No person (as defined in the Carriers Taxing Act of 1937) shall be entitled, by reason of the provisions of this act, to a refund of, or relief from liability for, any income or excise taxes paid or accrued, pursuant to the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, prior to the date of the enactment of this act by reason of employment in the service of any carrier by railroad subject to part I of the Interstate Commerce Act, but any individual who has been employed in such service of any carrier by railroad subject to part I of the Interstate Commerce Act as is excluded by the amendments made by this act from coverage under the Carriers Taxing Act of 1937 and subchapter B of chapter 9 of the Internal Revenue Code, and who has paid income taxes under the provisions of such act or subchapter, and any carrier by railroad subject to part I of the Interstate Commerce Act which has paid excise taxes under the provisions of the Carriers' Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, may, upon making proper application therefor to the Bureau of Internal Revenue, have the amount of taxes so paid applied in reduction of such tax liability with respect to employment, as may, by reason of the amendments made by this act, accrue against them under the provisions of title VIII of the Social Security Act or the Federal Insurance Contributions Act (subchapter A of chapter 9 of the Internal Revenue Code).

(c) Nothing contained in this act shall operate (1) to affect any annuity, pension, or death benefit granted under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, prior to the date of enactment of this act, or (2) to include any of the services on the basis of which any such annuity or pension was granted, as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of such act, as amended. In any case in which a death benefit alone has been granted, the amount of such death benefit attributable to services, coverage of which is affected by this act, shall be deemed to have been paid to the deceased under section 204 of the Social Security Act in effect prior to January 1, 1940, and deductions shall be made from any insurance benefit or benefits payable under the Social Security Act, as amended, with respect to wages paid to an individual for such services until such deductions total the amount of such death benefit attributable to such services.

(d) Nothing contained in this act shall operate to affect the benefit rights of any individual under the Railroad Unemployment Insurance Act for any day of unemployment (as defined in section 1 (k) of such act) occurring prior to the date of enactment of this act.

SEC. 5. Any application for payment filed with the Railroad Retirement Board prior to, or within 60 days after, the enactment of this act shall, under such regulations as the Social Security Board may prescribe, be deemed to be an application filed with the Social Security Board by such individual or by any person claiming any payment with respect to the wages of such individual, under any provision of section 202 of the Social Security Act, as amended.

SEC. 6. Nothing contained in this act, nor the action of Congress in adopting it, shall be taken or considered as affecting the question of what carriers, companies, or individuals, other than those in this act specifically provided for, are included in or excluded from the provisions of the various laws to which this act is an amendment.

SEC. 7. (a) Notwithstanding the provisions of section 1605 (b) of the Internal Revenue Code, no interest shall, during the period February 1, 1940, to the eighty-ninth day after the date of enactment of this act, inclusive, accrue by reason of delinquency in the payment of the tax imposed by section 1600 with respect to services affected by this act performed during the period July 1, 1939 to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this act.

(b) Notwithstanding the provisions of section 1601 (a) (3) of the Internal Revenue Code the credit allowable under section 1601 (a) against the tax imposed by section 1600 for the calendar year 1939 shall not be disallowed or reduced by reason of the payment into a State unemployment fund after January 31, 1940, of contributions with respect to services affected by this act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this act: *Provided*, That this subsection shall be applicable only if the contributions with respect to such services are paid into the State unemployment fund before the ninetieth day after the date of enactment of this act.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

[PUBLIC—NO. 764—76TH CONGRESS]

[CHAPTER 664—3D SESSION]

[S. 4070]

AN ACT

To provide for more uniform coverage of certain persons employed in coal-mining operations with respect to insurance benefits provided for by certain Federal Acts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 (a) of the Railroad Retirement Act of 1937, section 1 (a) of the Carriers Taxing Act of 1937, section 1532 (a) of the Internal Revenue Code, and section 1 (a) of the Railroad Unemployment Insurance Act are amended, effective in the case of each such Act as of the date of its enactment, by adding at the end of each such section the following new sentence: "The term 'employer' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 2. Section 1 (a) of the Railroad Retirement Act of 1935 and paragraph First of section 1 of the Railway Labor Act, as amended, are amended, effective in the case of each such Act as of the date of its enactment, by adding at the end of each such section and paragraph the following new sentence: "The term 'carrier' shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to a carrier where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities."

SEC. 3. Section 1 (b) of the Railroad Retirement Act of 1937, section 1 (b) of the Carriers Taxing Act of 1937, section 1532 (b) of the Internal Revenue Code, the first paragraph of section 1 (d) of the Railroad Unemployment Insurance Act, section 1 (b) of the Railroad Retirement Act of 1935, and paragraph Fifth of section 1 of the Railway Labor Act, as amended, are amended, in the case of each such Act as of the date of its enactment, by adding at the end of each such section and paragraph the following new paragraph:

> "The term 'employee' shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple."

SEC. 4. (a) The laws hereby expressly amended, the Social Security Act, approved August 14, 1935, and all amendments thereto, shall operate as if each amendment herein contained had been enacted as a part of the law it amends, at the time of the original enactment of such law.

(b) No person (as defined in the Carriers Taxing Act of 1937) shall be entitled, by reason of the provisions of this Act, to a refund of, or relief from liability for, any income or excise taxes paid or accrued, pursuant to the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, prior to the date of the enactment of this Act by reason of employment in the service of any carrier by railroad subject to part I of the Interstate Commerce Act, but any individual who has been employed in such service of any carrier by railroad subject to part I of the Interstate Commerce Act as is excluded by the amendments made by this Act from coverage under the Carriers Taxing Act of 1937 and subchapter B of chapter 9 of the Internal Revenue Code, and who has paid income taxes under the provisions of such Act or subchapter, and any carrier by railroad subject to part I of the Interstate Commerce Act which has paid excise taxes under the provisions of the Carriers Taxing Act of 1937 or subchapter B of chapter 9 of the Internal Revenue Code, may, upon making proper application therefor to the Bureau of Internal Revenue, have the amount of taxes so paid applied in reduction of such tax liability with respect to employment, as may, by reason of the amendments made by this Act, accrue against them under the provisions of title VIII of the Social Security Act or the Federal Insurance Contributions Act (subchapter A of chapter 9 of the Internal Revenue Code).

(c) Nothing contained in this Act shall operate (1) to affect any annuity, pension, or death benefit granted under the Railroad Retirement Act of 1935 or the Railroad Retirement Act of 1937, prior to the date of enactment of this Act, or (2) to include any of the services on the basis of which any such annuity or pension was granted, as employment within the meaning of section 210 (b) of the Social Security Act or section 209 (b) of such Act, as amended. In any case in which a death benefit alone has been granted, the amount of such death benefit attributable to services, coverage of which is affected by this Act, shall be deemed to have been paid to the deceased under section 204 of the Social Security Act in effect prior to January 1, 1940, and deductions shall be made from any insurance benefit or benefits payable under the Social Security Act, as amended, with respect to wages paid to an individual for such services until such deductions total the amount of such death benefit attributable to such services.

(d) Nothing contained in this Act shall operate to affect the benefit rights of any individual under the Railroad Unemployment Insurance Act for any day of unemployment (as defined in section 1 (k) of such Act) occurring prior to the date of enactment of this Act.

SEC. 5. Any application for payment filed with the Railroad Retirement Board prior to, or within sixty days after, the enactment of this Act shall, under such regulations as the Social Security Board may prescribe, be deemed to be an application filed with the Social Security Board by such individual or by any person claiming any payment with respect to the wages of such individual, under any provision of section 202 of the Social Security Act, as amended.

SEC. 6. Nothing contained in this Act, nor the action of Congress in adopting it, shall be taken or considered as affecting the question

of what carriers, companies, or individuals, other than those in this Act specifically provided for, are included in or excluded from the provisions of the various laws to which this Act is an amendment.

SEC. 7. (a) Notwithstanding the provisions of section 1605 (b) of the Internal Revenue Code, no interest shall, during the period February 1, 1940, to the eighty-ninth day after the date of enactment of this Act, inclusive, accrue by reason of delinquency in the payment of the tax imposed by section 1600 with respect to services affected by this Act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this Act.

(b) Notwithstanding the provisions of section 1601 (a) (3) of the Internal Revenue Code, the credit allowable under section 1601 (a) against the tax imposed by section 1600 for the calendar year 1939 shall not be disallowed or reduced by reason of the payment into a State unemployment fund after January 31, 1940, of contributions with respect to services affected by this Act performed during the period July 1, 1939, to December 31, 1939, inclusive, with respect to which services amounts have been paid as contributions under the Railroad Unemployment Insurance Act prior to the date of enactment of this Act: *Provided*, That this subsection shall be applicable only if the contributions with respect to such services are paid into the State unemployment fund before the ninetieth day after the date of enactment of this Act.

Approved, August 13, 1940.

Calendar No. 1683

77TH CONGRESS, 2d Session | SENATE | REPORT No. 1631

THE REVENUE BILL OF 1942

OCTOBER 2, 1942.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 7378]

The Committee on Finance, to whom was referred the bill (H. R. 7378) to provide revenue, and for other purposes, having had the same under consideration, report favorably thereon, with certain amendments, and, as amended, recommend that the bill do pass.

* * * * * * * * * * * *

IX. MISCELLANEOUS PROVISIONS

* * * * * * * * * * * *

Old-Age Insurance

The old age insurance tax has been frozen at the present level of 1 percent on the worker and 1 percent on the employer for the year 1943. Unless the existing law is amended, these rates would be increased to 2 percent on both employers and employees. The reserve which has been created up to the present time is ample to take care of the total requirements for the next 5 years. Therefore, your committee is of the opinion that it is not necessary to apply the 2-percent rate for the year 1943.

* * * * * * * * * * * * *

TITLE VII. SOCIAL SECURITY TAXES

SECTION 701. AUTOMATIC INCREASE IN 1943 RATE NOT TO APPLY

This section, which was added by your committee to the House bill, postpones the increase in the rates of the taxes imposed by the Federal Insurance Contributions Act (subch. A of ch. 9 of the Code). Under existing law, the rate of the income tax on employees imposed by section 1400 increases from 1 percent to 2 percent on January 1, 1943; and the rate of the excise tax on employers of one or more imposed by section 1410 also increases from 1 percent to 2 percent on such date. In the case of each such tax the amendment provides that the 1-percent rate shall remain in force through the calendar year 1943, and that the 2-percent rate shall be applicable to wages paid and received during the calendar years 1944 and 1945.

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Calendar No. 1683

77TH CONGRESS
2D SESSION

H. R. 7378

[Report No. 1631]

IN THE SENATE OF THE UNITED STATES

JULY 21, 1942
Read twice and referred to the Committee on Finance

OCTOBER 2, 1942
Reported by Mr. GEORGE, with amendments

[Omit the part struck through and insert the part printed in italic]

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1942":

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TITLE VII—SOCIAL SECURITY TAXES

SEC. 701. AUTOMATIC INCREASE IN 1943 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal

Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1944 and 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1944 and 1945, the rate shall be 2 per centum."

Passed the House of Representatives July 20, 1942.

Attest: SOUTH TRIMBLE,

Clerk.

Calendar No. 1683

77TH CONGRESS
2D SESSION

H. R. 7378

[Report No. 1631]

AN ACT

To provide revenue, and for other purposes.

JULY 21, 1942
Read twice and referred to the Committee on Finance

OCTOBER 2, 1942
Reported with amendments

RATE OF TAXES UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT

Mr. VANDENBERG. Mr. President, I introduce a bill to amend the Federal Insurance Contributions Act with respect to the rate of taxes thereunder for the year 1943, and, because both of the importance and imminence of the issue itself, I ask leave to make a very brief statement in connection with the bill.

The ACTING PRESIDENT pro tempore. Without objection, the Senator from Michigan will proceed.

Mr. VANDENBERG. Mr. President, unless Congress acts prior to January 1, 1943, social-security pay-roll taxes on both employers and employees will increase on each from 1 to 2 percent. That is the schedule in existing law, as amended by Congress in 1939.

The proceeds of this pay-roll tax have but one legitimate purpose and justification: First, either to pay old-age benefits, plus the cost of administration, or, second, to build a reasonable reserve for the future guaranty of these payments.

For the fiscal year ending June 30, 1942, these receipts amounted to $972,000,000—that was the amount collected under the 1-percent pay-roll rate on both employers and workers—against withdrawals or payments of $141,000,000. Obviously, an increased pay-roll tax on employers and workers of the country is not necessary in order to meet current

old-age obligations. Furthermore, the existing 1-percent pay-roll tax on both employers and workers, in actual fact, will produce as much revenue as it was estimated would be derived from a 2-percent tax when the existing statutory tax schedule was written by Congress in 1939.

The real question therefore is whether this 100-percent increase in pay-roll taxes on employers and workers is necessary to sustain an essential reserve. We do not have to guess about that proposition. Testifying before the House Ways and Means Committee on March 24, 1939, Secretary of the Treasury Morgenthau said:

> We should not accumulate a reserve fund any larger than is necessary to protect the system against unforeseen declines in revenues or increases in the volume of benefit payments. Specifically, I would suggest to Congress that it plan the financing of the old-age-insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to—

These are the important words—

> not more than three times the highest prospective annual benefits in the ensuing 5 years.

That is the rule recommended by the Secretary of the Treasury.

Congress, in 1939, did precisely what the Treasury recommended. Title II of the Social Security Act was amended to create a Board of Trustees of the Federal Old Age and Survivors Trust Fund, and, among other things, the Board is required to—I quote from the statute—

> (3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period, and whenever the Board of Trustees is of the opinion that the amount of the trust fund is unduly small.

In effect, the Board has thus reported. The assets of the trust fund—which is to say, the reserve—were $3,227,000,000 at the end of the fiscal year 1942. The reserve is not 3 but 30 times the anticipated benefit payments in any 1 of the next 5 fiscal years; and it is not 3 but 6 times the total anticipated benefit payments during all the next 5 fiscal years combined.

I am omitting all details. I am simply submitting the over-all picture. I respectfully submit that it raises the clear presumption that there is no justification, on the basis of the accepted congressional formula, for permitting the statutory doubling of pay-roll taxes for these purposes on January 1, 1943. The bill which I introduce would hold these pay-roll taxes at the existing 1-percent level through 1943, when we can again adjust the financing to fit the developments.

In order to complete the prospectus, it should be said that the Treasury not only desires to have the statutory pay-roll tax proceed to 2 percent on January 1, 1943, but it actually will ask that the tax be further increased to 5 percent. The reasons have nothing to do with social-security or old-age payments—as clearly demonstrated by the foregoing figures. The reasons have solely to do with a further so-called attack upon inflation and with the creation of new reservoirs of general bond sales credits.

I completely acknowledge the need for mobilizing every possible resource against inflation; and certainly I completely acknowledge the unavoidable necessity for some form of enforced savings to sustain the public credit in the face of our unavoidably tremendous war expenditures; but, Mr. President, I am unalterably opposed to raiding social-security trust funds for these purposes, or for any purpose not directly related to the social-security benefits which these pay-roll taxpayers are presumed to buy for themselves with their assessments. The problem of financing the war is a separate problem and it must be candidly and courageously faced as a separate problem. If we must have enforced savings or induced War bond purchases, the order should be candid and courageous and, above all, it should be universal and not applied solely to the employers and the workers of the country who alone pay these social-security taxes.

I ask that the bill be referred to the Committee on Finance.

The ACTING PRESIDENT pro tempore. The bill will be referred as requested.

The bill (S. 2781) to amend the Federal Insurance Contributions Act with respect to the rate of taxes thereunder for the year 1943, was read twice by its title and referred to the Committee on Finance.

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

Mr. GEORGE. I yield.

Mr. GREEN. I understand that in the pending bill there is proposed an amendment of existing law by which the tax provided by the existing law would be reduced. It seems strange to include such an amendment in a bill whose object is to increase the revenue. The item to which I have reference is a provision in the social-security law by which the tax will be increased 2 percent beginning with January 1, 1943. Under the present law the tax is fixed at 1 percent, and by the pending measure it is to be changed. May I ask the Senator what the explanation of the committee may be for such a change?

Mr. GEORGE. Under existing law the social security tax—to use the general term—is 1 percent against the employer and 1 percent against the employee, or a total of 2 percent. Under the operation of the law as it now exists the tax is to be stepped up, or doubled, beginning with January 1, 1943. An amendment was approved by the Senate Finance Committee freezing the tax, for 1943 only, at the existing level. That was done under the general assertion or statement of fact made by the Senator from Michigan [Mr. VANDENBERG], a member of the committee, on the floor of the Senate some days ago, to the effect that the social security reserves are now more than ample to meet any possible liability under the Social Security Act over a 5-year period, I believe it is, or a stated period, and that it would therefore be unnecessary to increase the tax on January 1, 1943.

Mr. GREEN. Was the basis of that statement investigated by the committee?

Mr. GEORGE. I think the facts were very well known to the committee. I do not think there is any dispute about the size of the present reserves and of the estimated liability under the Social Security Act. There was a view expressed in the committee—I may say that I expressed it myself—that the widening of the social-security law, and the increase of benefits under it, were contemplated, and that therefore we should not freeze the tax, or at least it was highly questioned whether we should freeze the tax at the present rate. However, since the tax to be imposed under the pending bill on the employer and the employee is high, and in view of the fact that the tax burden would be very great, and in view of the fact that the reserves to meet present liabilities under the existing law were ample, the Senator from Michigan offered an amendment to freeze the tax for 1943, and the committee adopted it. That would not preclude consideration of the whole social-security system, and the widening of the coverage and increases in benefits. Of course, if that were done, the law itself, by which the benefits were increased and coverage widened, would carry some provision for an appropriate rate to take care of the liability under it, and it would have the effect of superseding the committee amendment, even if the committee amendment were finally approved by the Senate.

Mr. GREEN. However, as I understand, it would preclude the expansion of the social-security service unless the present law were reenacted.

Mr. GEORGE. No. While I personally was not in favor of the amendment, and suggested that we should not put it in the bill, I do not think there is any doubt that the reserves are more than ample to meet any possible liability under the social-security law during the next 5-year period, that is to say, by allowing the rate to remain during 1943 at the present level. The freezing is to be applicable only to 1943. Thereafter, unless a further freezing process is provided, the rates would go up beginning with January 1, 1944. But so far as present benefits and possible liability are concerned, I do not think there is any question that the present reserves are ample to take care of them, because unemployment, as the Senator knows, is rapidly vanishing under the impact of the war effort.

Mr. GREEN. I thank the distinguished Senator from Georgia for his explanation. I should like to ask one further question. Did the change meet with the approval of the Treasury Department?

Mr. GEORGE. No; the Treasury did not approve it.

Mr. President, I now ask that the Senate proceed to consider the committee amendments.

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The next amendment was, on page 574, after line 22, to insert:

TITLE VII—SOCIAL SECURITY TAXES

Sec. 701. Automatic increase in 1943 rate not to apply.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act

(Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar years 1944 and 1945, the rate shall be 2 percent."

(b) Clauses (1) and (2) of section 1410 of such act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar years 1944 and 1945, the rate shall be 2 percent."

Mr. BARKLEY. Mr. President, I ask that the amendment on page 574, beginning in line 23, under the heading "Social security taxes," be passed over.

The PRESIDING OFFICER. Without objection, the amendment will be passed over.

That completes the committee amendments, with the exception of those passed over.

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Mr. GEORGE. Mr. President, I have received a letter from the President of the United States which I wish to have read at the desk. It is with reference to the amendment freezing the social-security tax.

The VICE PRESIDENT. Without objection, the letter will be read.

The Chief Clerk read as follows:

THE WHITE HOUSE,
Washington, October 3, 1942.

Hon. WALTER F. GEORGE,
Chairman, Senate Finance Committee,
United States Senate.

MY DEAR SENATOR: I note that the Senate Finance Committee has tentatively included in the pending tax bill an amendment by Senator VANDENBERG freezing the present rates of contributions for old-age and survivors' insurance, instead of permitting them to increase automatically on January 1, 1943, as provided by law.

This amendment is causing considerable concern to many persons insured under the old-age and survivors' insurance system. The

financial obligations which will have to be met in paying benefits amply justify the increase in rates. A failure to allow the scheduled increase in rates to take place under present favorable circumstances would cause a real and justifiable fear that adequate funds will not be accumulated to meet the heavy obligations of the future and that the claims for benefits accruing under the present law may be jeopardized.

In 1939, in a period of underemployment, we departed temporarily from the original schedule of contributions, with the understanding that the original schedule would be resumed on January 1, 1943. There is certainly no sound reason for departing again under present circumstances. Both employment and the income from which contributions are made are at a very high point—the highest since the inauguration of the system. In fact, the volume of purchasing power is so great that it threatens the stability of the cost of living. The increase in rates at the present time is not only in accord with the necessities of the social-security system itself, but at the same time would contribute to the noninflationary financing of the rapidly mounting war expenditures. The accumulation of additional contributions would be invested in United States Government securities and would thereby assist in financing the war.

This is the time to strengthen, not to weaken, the social-security system. It is time now to prepare for the security of workers in the post-war years. As soon as the Congress has disposed of the pending tax bill I am planning to submit a comprehensive program for expanding and extending the whole social-security system along the lines laid down in my Budget message last January. This program would involve substantial further increases in rates of contribution.

This is one case in which social and fiscal objectives, war and post-war aims are in full accord. Expanded social security, together with other fiscal measures, would set up a bulwark of economic security for the people now and after the war and at the same time would provide anti-inflationary sources for financing the war.

In the light of these considerations, I suggest the desirability of permitting the increase in the rates of contribution of old-age and survivors' insurance to go into effect on January 1, 1943, as provided in existing law.

Sincerely yours,

FRANKLIN D. ROOSEVELT.

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The PRESIDING OFFICER. The next committee amendment passed over will be stated.

The next amendment passed over was, on page 574, beginning in line 23, to insert:

TITLE VII—SOCIAL-SECURITY TAXES

SEC. 701. Automatic increase in 1943 rate not to apply.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar years 1944 and 1945, the rate shall be 2 percent."

(b) Clauses (1) and (2) of section 1410 of such act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar years 1944 and 1945, the rate shall be 2 percent."

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

Mr. BARKLEY. Mr. President, is that the amendment which deals with the social-security tax?

Mr. GEORGE. Yes; the amendment, which, according to my record, is the last but one of the committee amendments passed over—I think there is one other—freezes the so-called security tax, using the comprehensive term, at the present level. The tax is now 1 percent on the employer and 1 percent on the employee, and the committee amendment proposes to freeze that tax. Automatically the tax would be increased beginning January 1 next on both the employer and the employee. In other words, it would be doubled. The amendment was presented to the committee by the Senator from Michigan [Mr. VANDENBERG], and the committee voted favorably on the amendment offered. It is therefore a committee amendment.

At that time the attention of the committee was directed to the opposition by the Treasury to freezing the tax at the present level. This morning I offered for the RECORD and had read to the Senate a letter from the President in which he specifically points out the inadvisability of freezing this tax, and the advisability of collecting the stepped-up or doubled tax beginning January 1st next, and also suggests the expansion of the systems so as to increase coverage and also increase the benefit payments.

The Secretary of the Treasury has strongly taken the position that during times of high wages and full employment there should be no relaxation or change in the amount of the tax to be collected, because at the end of the war period, when a reduction in salaries and an increase in unemployment may be expected, the Social Security fund will need the increased revenue derived from the operation of the tax, if the tax is not now frozen at the existing level.

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

Mr. GEORGE. I yield.

Mr. PEPPER. Did the President's message suggest any figure for the increase in the tax, or did he simply say that it was not advisable to freeze the tax?

Mr. GEORGE. The tax would automatically increase on January 1.

Mr. PEPPER. As I understand, he did not make any suggestion that the present statutory provision be increased.

Mr. GEORGE. No; he simply asked that the rate be not frozen. The increase would go into effect automatically on January 1, doubling the tax rate. The President asks that the increase be allowed to go into effect. In other words, he opposes the amendment.

I believe the President did suggest that he would recommend at an early date in a bill to be submitted not only increasing benefits and widening the coverage but, as I recall, an additional increase in the tax from 4 to perhaps 5 percent. On that point I am not sure. The letter was presented this morning; and I may be confusing some statement in the letter with some previous statement which I knew had been made.

Mr. PEPPER. If the Senator will permit me to make a suggestion, I hope it will be possible for us to get the benefit of experience from the Victory tax which has been proposed by the committee, and which I personally favor very strongly, to see whether or not that form of tax might possibly be a substitute for, and if not a substitute for, at least a part of, the whole scheme for providing revenue for old-age assistance.

Mr. GEORGE. As the Senator knows, the social-security tax is a tax on pay rolls. It falls in part upon the employer, whether he is making a net profit or whether he is actually losing money. It is a tax on his pay roll and likewise a tax on the workers' pay checks. Of course, the workers receive the benefit of the tax.

The committee approved the amendment freezing the tax. The committee acted on this state of facts: The present fund, supplemented by the tax at the level now in effect, would be ample to take care of any contingency which might adversely affect the fund or draw on the fund during the next 5 years without an increase during the year 1943. The amendment would freeze the tax only for the year 1943.

Mr. BARKLEY. Mr. President, I do not wish to delay the Senate in the consideration of this amendment, but, inasmuch as I am opposed to the amendment included in the bill by the committee, perhaps I should say a few words.

This amendment was offered on the last day of the session of the Committee on Finance, when it had had the bill printed and had met finally to go over the draft prepared by the experts and the draftsmen. I was not present at that meeting because I was engaged in the Banking and Currency Committee and in the conference on the price-control bill. Other members of the Finance Committee were not present, including the Senator from Michigan [Mr. BROWN], the Senator from Connecticut [Mr. DANAHER], the Senator from Ohio [Mr. TAFT], and other Senators. I do not know that the result would have been different if all the members of the committee had been present. There certainly was a majority of the committee present. As I say, this amendment was offered on the last day, after the bill had been printed, and was adopted without any hearing.

The attitude of the Senator from Michigan [Mr. VANDENBERG] in regard to the social-security tax has been well known for a long time. For a number of months he has advocated freezing the tax at the present rate levied on employers and employees, on the ground that the present rate is adequate to take care of the immediate needs of the Treasury with respect to old-age pensions, old-age subsistence, and so forth. His objection to the step-up which is provided under the law on the first of next year is due also to the fact that he contends that the Treasury desires to use for ordinary Treasury financing the funds which it will collect from the tax and that to that extent, in his judgment—and he is perfectly sincere and honest about it—it is a subterfuge. He believes that the funds collected for old-age subsistence are being used by the Treasury under that guise for financing current war and other expenses of the Government.

When we passed the social-security law providing for contributions to be made to the fund by employer and employee, we were, of course, looking far ahead and trying to visualize any possible situation which might exist in the future. It is no argument against carrying out the law as it was written and as it now exists, that for a little while before the accumulation of claims begins to increase there is more money coming into the fund than is immediately necessary to pay for current claims against it. I think we must keep in mind the long view, the long pull, in regard to the collection of this tax and its use.

Under the law, the Treasury is compelled to invest this money. It cannot allow it to lie idle in the Treasury. It is required to invest it in order to add to the fund the amount of interest which is received from its wise investment. It has been the practice of the Treasury—and I think if not legally mandatory, it is financially and economically mandatory—to invest this money in Government bonds. It would be difficult for the Treasury to look around in the field of investments and find a safer investment than the bonds of the United States.

I have before me a letter which I have just received from Mr. H. J. Altmeyer, the very able administrator of this fund. He is the head of the Social Security Board, which is now a part of the Social Security set-up. He has been chairman of the Social Security Board for many years.

With this letter he sends me a memorandum, to which I think the attention of the Senate ought to be directed before we vote on this amendment. He says:

In view of the President's announcement that he was opposed to the Vandenberg amendment in the pending tax bill, I thought you might like to have a memorandum which I have had prepared, pointing out some of the reasons why the Vandenberg amendment should be deleted from the tax bill.

We all know that it is contemplated that there will be a considerable increase in the number of possible prospective beneficiaries of the social-security theory and the social-security fund. It is the view of the President and the Treasury and I think it is the view of a very large majority of those who have studied the social-security provisions of the law and the whole theory upon which they are based—that we must enlarge the field beyond the field now occupied in providing benefits for aged and indigent persons. I share that view.

If the Senate will bear with me I should like to call attention to the reasons advocated by Mr. Altmeyer against the amendment which is now under consideration. Inasmuch as he is in direct charge of the Social Security Board and has been in charge practically from the beginning, whatever he says on the questain certainly should be entitled to more credit and consideration than what any Senator, with limited knowledge, might say.

Mr. Altmeyer says:

The basic question which Senator Vandenberg has raised is whether the increase from 1 percent on employers and employees to 2 percent each scheduled for next year in the contribution rates of the old-age and survivors insurance program is justified in the light of the needs of that program. A careful review of the background and the current situation will show that such an increase is not only desirable but necessary for sound financing of the Social Security System. In order to arrive at this conclusion, however, it is necessary to do more than just look at some figures or refer to some testimony in 1939. We must carefully evaluate the meaning and the importance of our statistics with the facts and conditions we are faced with in this rapidly changing world of ours.

It was understood when the original Social Security Act was passed in 1935 and when it was amended in 1939 that the cost of the benefits will rise each year for many years to come (due in large part to the increasing number and proportion of aged in our population), and the average, or level, rate of contributions which would be required to support the program over the later as well as earlier years of operation is well above 2 percent each on employer and employee. Contributions at a still higher rate could have been collected from the outset without providing any longer term excess of funds for benefit purposes. The increase now scheduled would thus be reasonable without regard to any problems of war financing and the prevention of inflation.

The current size of the old-age and survivors insurance trust fund is, of course, largely a result of the high level of economic activity during the last 2 years. This level of activity has involved a high contribution income and, because of an abnormally low rate of retirement among the aged, a low level of expenditures. With this extraordinary activity there has been and will continue to be a very rapid increase in the number of older workers who meet the insured status requirements of the program but remain in employment, and an increase in the level of benefits which will be payable to these persons when they do retire because of their longer period of earnings and contributions. The net effect of the rise in industrial production and of the fact that we cannot predict when such production will begin to decline has been, therefore, to create a misleading picture concerning the status of the trust fund.

The great increase in contribution income is readily apparent, but the heavy drain on the fund which will occur as soon as economic activity slackens is not apparent. However, no one can tell when the war will end, and thus prudent management would assume that economic activity may decrease and decrease sharply within the next few years. If a sharp decrease does occur, a large proportion of the potential recipients—and they will number over a million by the end of 1946—will elect to receive their benefits. Thus, it is possible that the level of benefit disbursements will be much higher than that shown for 1946 in the estimate referred to above. A decline in economic activity would at the same time reduce pay rolls and tax income. Therefore it is possible that a postwar depression, by causing a continued period of high disbursements and low income, will bring the trust fund below a safe level. The issue then becomes one of whether it is prudent to act on the basis of present uncertain estimates and fail to take account of he possibility that these estimates will be sharply upset by changing events.

That is, the increased step-up on the 1st of January to 2 percent from employers and employees.

The scheduled increase involves no inequitable burden upon those covered by the program. Even at the 3-percent rate which is to take effect in 1949, workers will receive insurance protection of greater value than the value of their own contributions. The lower rates of contribution now in effect are only possible because the benefit load during the initial period of operation is a small fraction of what it will be in the later years.

Moreover, the accruing liability which has been accruing for the payment of the future benefits is several times in excess of the amount in the existing trust fund. The actuaries have estimated that the present program may entail a level annual charge of as much as 7 percent of pay roll. On this basis the fund would already have a deficit of nearly $9,000,000,000. Thus, instead of the present reserve fund being too large, the fund is small when tested on the basis which any private insurance company would be compelled to use. While social insurance cannot be judged by a too rigorous application of private insurance concepts, nevertheless, this comparison does indicate that the existing trust fund is not unduly large in view of its liabilities.

The discrepancy between the scheduled rates for the early years of operation and the level rate referred to above must, of course, be made up by increased rates in later years or by a Government subsidy, or both. Lengthening of the initial period of low rates must necessarily involve (a) still higher ultimate rates, (b) less gradual later increases, or (c) a larger Government subsidy.

It has been the intent that the full rate of contributions necessary for the support of the old-age and survivors insurance program be applied gradually so that industry and employees would not be burdened by large increases at any one time.

That emphasizes, it seems to me, the undesirability of freezing for the year 1943 the tax as it now exists, with the possibility that at the end of 1943 it would have to be stepped up not only by the rate contemplated at the beginning of 1944, but also by the rate provided for 1943, so that at the beginning of 1943 the step-up process would have to include the rates for both 1943 and 1944, instead of, as contemplated by the law, a gradual step-up, beginning January 1, 1943, and then another one on January 1, 1944.

This intent is of particular significance for the present question If the three-times rule is adhered to strictly, and increases in contribution rates are postponed until they are required under the terms of the rule, it will be necessary to provide sharper and more rapid increases in the rates than those now scheduled. Moreover, the necessity for a sharp increase would most probably occur at a time when economic activity slackened and it would be undesirable to impose a sudden, large increase in taxes on employees and employers. The conclusion is inescapable that the increases being necessary in the future, they can be more easily absorbed by both employees and employers at the present time than at some future time when they can no longer be postponed.

The major condition governing the facility of adjustment to the tax burden is, of course, the level of economic activity at the time the tax goes into effect or is increased. It is clear that the level of economic activity is more favorable to easy adjustment now than it has been at any time since the start of the program or is likely to be for some years after the war.

It seems to me that that is an evident proposition.

The increased tax set-up is not only advocated by the Social Security Board and the Treasury Department but by the representatives of the workers themselves.

In the last day or so since the committee acted on this matter, we have all had letters from representatives of the workers, the organizations of labor, including the C. I. C. and the A. F. of L., protesting against the amendment proposing the freezing of the tax as it is at the present time.

The representatives of the workers support an increase in their contributions to protect their social-security benefits. Both the American Federation of Labor and Congress of Industrial Organizations are in favor of the increased tax. (Their letters appear in the CONGRESSIONAL RECORD, October 1, 1942, p. 7667.)

Let me say there by way of parentheses that if the workers themselves not only do not object to the payment of the increased tax under the law, but protest against having the tax frozen as it now is, certainly we have no right to assume that we should be conferring any benefit on them by foregoing the increased assessment which they have depended

upon paying, and which they now want in order that the fund may be carried forward under the terms of the law.

It has been argued that the heavy increase in employment and wage levels and the consequent unexpected rise in social-security contributions places the old-age insurance program in a very favorable financial position. This argument ignores two important facts. First, an increase in pay rolls on which contributions are collected simultaneously increases the liabilities to make benefit payments. Second, a proportion of the increased contributions comes from workers who have moved from noncovered employment into covered employment and may be expected to move back into noncovered employment after the war. Because benefit payments are very high in proportion to contributions in the case of those with low wages and those who stay in covered employment for relatively short periods, the liability to pay benefits may be greatly in excess of the additional contributions received—

Under the program which calls for the stepping up of the contributions as of January 1, 1943.

In the future, benefit payments will increase sharply above present levels. Even in the absence of abnormal factors arising out of the change from war to post-war conditions, the benefit payments would increase very greatly during the next several decades. As time goes on, an increasing percentage of the total population will qualify for benefits because more persons will have been covered by the program a sufficiently long period of time to be entitled to benefits. Furthermore, the average benefit payment per recipient will increase because of the longer period of time during which persons retiring will have contributed to the fund. Besides these factors, a steadily increasing proportion of our population will be represented by persons over 65 years of age. This change will, of course, increase the ratio of benefit receipents to contributors and will require higher payments into the fund if the present schedule of benefits is maintained. It is extremely urgent that the general public retain its belief in the stability of the old-age insurance program. Frequent modification of the contribution rates may easily lead to a misapprehension as to the financial integrity of the plan. There is little doubt that any alteration in the present program will require compensatory action in succeeding years, which may seriously undermine public confidence in the whole program.

In 1939 we departed temporarily from the original schedule of contributions. We all recognized that by departing temporarily from the contribution schedule, the financial provision of the program would be rendered even less adequate. However, after considering all the relevant facts and with a substantial further recovery in prospect, the Congress accepted the additional risks. Throughout the discussion of the 1939 legislation, it was taken for granted that the original schedule of contributions would be adhered to in 1943.

Today employment, wages, and national income are at record levels—at levels far in excess of anything experienced in the past. If we depart once again from the original schedule of contributions at a time when ability to make these contributions is at a maximum, when are we going to finance the old-age insurance program? Clearly, if we reduce contributions below scheduled rates when we fear unemployment and if we also reduce contributions when employment and wages are at peak levels, a break-down of the old-age insurance program must follow If we depart once again at this time from the regular schedule of contributions, we are jeopardizing the major element of security to which the American worker can look forward in the uncertain years of his old age.

PERTINENT FACTUAL BACKGROUND

1. The 1939 amendments to the Social Security Act do not include any specific language outlining the policy of Congress with respect to the controversial problems of financing the old-age and survivors insurance program. The amendments only provide that the board of trustees of the old-age and survivors insurance trust fund is to "report immediately to the Congress whenever the board is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period * * *."

2. The foregoing provision was adopted after testimony before the House Ways and Means Committee by the Secretary of the Treasury and by the Chairman of the Advisory Council on Social Security, Prof. J. Douglas Brown, of Princeton University.

3. It must be kept clearly in mind that there are of course no positively known facts concerning the highest annual expenditures during the next 5 fiscal years. No complete estimates of such expenditures will be available until the Third Annual Report of the Board of Trustees is prepared. Meanwhile, the only official estimates are those included in the Second Annual Report of the Board of Trustees. These cover the fiscal years through 1946.

4. It must be emphasized, as it is in the Second Annual Report of the Board of Trustees, that the estimates through 1946 are subject to considerable margins of error. In part this is due to the fact that benefit payment experience under the act is still very limited—benefits under the law only began in 1940, just about 2½ years ago. In part, also, it is due, as the board of trustees of trust fund stated early this year, to the fact that "business and employment conditions in the near future, which will influence significantly the operations of the old-age and survivors insurance system, undoubtedly will be dependent to a large degree on the state of international affairs and the domestic armament and war program. It is impossible to forecast with confidence the policies which will be pursued by both business and Government in the future in carrying out the war program—and any program for peacetime adjustment, should peace come within this period—nor can the effect of these policies on pay rolls and employment in industries covered by the insurance system be predicted accurately."

5. Subject to the limitations just mentioned, the expenditures estimated for the fiscal year 1946, the highest of the 5-year period, are $392,000,000. As of the beginning of the 5-year period, the size of the old-age and survivors insurance trust fund was $2,-398,000,000. (As of the beginning of the fiscal year 1943, it was $3,227,000,000.) If the aforementioned "unusually uncertain" estimate of the highest expenditures in the 5-fiscal-year period, 1942-46, is compared with the size of the fund at the beginning of the period, it is seen that the fund was slightly over six times the estimated amount of the expenditures (for the 1 fiscal year ending in 1946). There are, however, a large number of potential claimants for old-age benefits who have not retired primarily because of favorable employment conditions due to the war. If the present high level of employment continues, it is estimated that by July 1945 there will be over 1,000,000 workers and wives who will be eligible for benefits but not in receipt of benefits. If these potential beneficiaries all retired from active work by July 1945, an increase in the annual rate of benefit payments of $300,000,000 would result. If this $300,000,000 were added to the estimated expenditures for 1946 the fund at the beginning of 1942 would then be only slightly more than three times the highest annual expenditure during the 5-year period.

BEARING OF THE DATA UPON THE QUESTION OF BASIC CONGRESSIONAL POLICY

1. The recommendation of the Secretary of the Treasury, quoted above, was stated in terms of an eventual reserve. Moreover, the Secretary clearly emphasized the possibility that "We may have for a few years * * * a reserve fund somewhat larger than would be necessary under the standard I have here suggested. However, the early annual disbursements of benefits are neither representative nor can their amount be precisely forecast at this time. Consequently, it may be desirable to anticipate a somewhat larger contingency reserve during the first few years of benefit payments."

2. The chairman of the Advisory Council likewise brought out the point that the "three-times" standard which he proposed was to be taken only as a rough rule thumb which might well be disregarded in the early years. He suggested "something like, roughly, three times the benefit load, varying above or below the benefit load, but particularly higher in the early years when you are uncertain as to your data." The reference to the uncertainty of the data has special point in view of the uncertain reliability of the estimates of expenditures.

3. It is probable that the qualified recommendations of the Secretary of the Treasury and of the chairman of the Advisory Council were the reasons that the Congress adopted no fixed rule on the subject, but merely provided for a report by the board of trustees whenever the fund exceeded the amount specified.

That is the end of the statement of Dr. Altmeyer, setting forth, it seems to me, conservatively and fairly the objections to the amendment of the committee freezing the collection of these funds as of January 1. I think there is one thing, in addition, that ought to be emphasized. Dr. Altmeyer did not mention it, but it ought to be kept in mind. In this time of large pay rolls and large incomes, when our national income for 1942 is estimated at $116,000,000,000, which is about $25,-000,000,000 more than it was for 1941, and when the income of our people for 1943, it is estimated, will be as high as $125,-000,000,000 or $130,000,000,000, it seems to me that, in these times when we are receiving a larger income than we have ever received, larger than we will receive, in all likelihood, when this war activity shall have terminated, it is an unwise time to provide for the suspension of the payments required by the law into this fund which must be accumulated for the benefit of the beneficiaries of the social-security system.

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

Mr. BARKLEY. I shall yield to the Senator in a moment.

If the workers who are to be the beneficiaries of this system, who are paying their share, their one-half, not only are willing to pay it but are protesting against its suspension, it certainly seems to me that we should not make the suspension at this time for the benefit of the other half of the equation, who do not need the suspension any more than many of the employees themselves who are compelled to make the contribution, or as much.

I yield to the Senator from Michigan.

Mr. BROWN. The Senator has already answered one question I had in mind when I rose, to the effect that one-half the contribution would be made by

the workers and one-half by their employers.

Mr. BARKLEY. That is correct.

Mr. BROWN. What I desired to ascertain principally was whether the tax paid by the employer would be deductible as an expense in calculating the income tax paid by the corporation.

Mr. BARKLEY. It is deductible, as other taxes are.

Mr. BROWN. Approximately only one-tenth to one-half would actually be paid.

Mr. BARKLEY. That is true. It is deductible, as are other taxes, on the net income on which the corporation pays its taxes.

Mr. BROWN. Income taxes are not deductible.

Mr. BARKLEY. Oh, no.

Mr. BROWN. Social-security taxes are deductible as an expense.

Mr. BARKLEY. That is correct. I think there is nothing I can add to the statement of Dr. Altmeyer which I have read and commented on briefly.

For the reasons I have stated, I hope the amendment will not be agreed to.

Mr. VANDENBERG. Mr. President, let there be no doubt about how this amendment got into the bill. The Senator from Kentucky has rather suggested that it slipped into the bill the last day, when there were not very many looking.

Mr. BARKLEY. I did not say that. I said that a number of the members of the committee were absent. I cannot say the result would have been different if they had all been present. There was present a majority of the committee, I think 14 out of 21, to be exact. I did not say the amendment slipped in; I did say it got in on the last day. I did not say it slipped in. It walked in.

Mr. VANDENBERG. It did not walk in; it ran in.

Mr. BARKLEY. I think it got in unexpectedly even to the Senator from Michigan, who brought it up for discussion, and found that there was much support for it and that he had better make his blitzkrieg while the "blitzing" was good.

Mr. VANDENBERG. The Senator is quite correct, it did not walk in; it ran in. The committee voted 12 to 4 in favor of the amendment, and that represented 16 out of 21 members. If all the others had been present and had voted in the negative, it would still have carried; but as a matter of fact, most of those who were absent would have voted in the affirmative.

Then Senator is quite correct, when I brought the matter up in the committee I had no intention of pressing the amendment at the time; I merely wanted to give notice that the issue would be raised on the floor of the Senate, because in my judgment it is a question of honesty in the purposes with which we are to use social security funds. At the moment I merely intended to give notice that the issue would be raised on the floor; but so many members of the Committee on Finance immediately insisted that they wanted to vote immediately upon the issue, all of them being adequately informed on the subject, that I did ultimately, at their request and under their pressure, submit the matter to the committee for a vote.

This amendment is not here merely on my initiative, Mr. President, although that inference has been given. It is here because so many Members of the Senate Committee on Finance insisted upon a vote the moment I brought the matter up; and they voted 12 to 4.

Let us see what the issue is in very simple language. Pay-roll taxes for old-age benefits under the Social Security Act are now 1 percent on employers and 1 percent on employees. By existing statute they will increase 100 percent on January 1, 1943, to 2 percent on employers and 2 percent on employees.

The purpose of the committee amendment is to freeze the taxes at 1 percent for just 1 year, 1943, just for the year when the country, and particularly the business of the country, and the workers of the country, have to take the first impact of this terrific new tax bill.

In my judgment, most of our fellow citizens have a very meager appreciation at the moment of what this tax bill will bring to them by way of tax burden. When it does reach them, they will have to reorganize their entire personal economic life, and for 1943, one year, the first year of the impact of these terrific new taxes, the committee amendment proposes that the increase of 100 percent in social-security taxes, in addition to everything else, shall be suspended.

Now why? And is it justified? The able Senator from Kentucky says that Dr. Altmeyer is the prime witness available on this subject, and I agree. Dr. Altmeyer and Secretary Morgenthau will be my two witnesses.

There are only two legitimate uses to which the Government can put the proceeds of pay-roll taxes collected for social-security purposes. One purpose is to pay the current social-security benefits and the cost of administration. The other purpose is to create a legitimate and essential reserve. There is no other legitimate use of social-security pay-roll-tax funds. Let us test the fund in its existing status, and in its prospective status in 1943, against these two legitimate uses.

So far as the payment of current benefits is concerned, I call the attention of the Senate to the fact that for the fiscal year ending June 30, 1942, the receipts from social-security taxes amounted to $972,000,000. That sum was collected at the 1-percent rate. Against these collections the total withdrawals, or payments, were only $141,000,000. So far as the solvency of this fund is concerned in respect to current payments, the payments are $141,000,000 against collections of $972,000,000. So obviously, there could be no suggestion that the pay-roll-tax increase is necessary for the purpose of paying current benefits.

That leaves only one other legitimate use for these social-security taxes, and that is the creation of a reserve. There can be a difference of opinion as to what the reserve should be. The law as originally written in 1935 and 1936 was written on the theory that social-security old-age benefits should be backed by what is called a full reserve, as it is known under old-line life insurance. In 1939 the Congress decided by an overwhelming vote that a public tax-supported old-age pension system did not require the full reserve which is necessary under a private personal-premium system of old-age benefits. So the decision of the Congress in 1939 was that this reserve fund, instead of being the full reserve originally contemplated, should be what we will call, for purposes of identification, a contingent reserve.

Mr. President, who laid down the definition, in words of one syllable, of what was a prudent and appropriate contingent reserve? The gentleman who laid it down was Mr. Morgenthau, the Secretary of the Treasury. What rule did he lay down? Testifying on March 24, 1939, before the House Ways and Means Committee, at which time this matter was liquidated and settled, Mr. Morgenthau said:

> We should not accumulate a reserve fund any larger than is necessary to protect the system against unforeseen declines in revenues, or increases in the volume of benefit payments.

He now becomes specific.

> Specifically—

Mr. Morgenthau speaking:

> Specifically, I would suggest to Congress that it plan the financing of the old-age-insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to—

These are the critical, significant words of Mr. Morgenthau in announcing the rule:

> amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years.

That is Mr. Morgenthau's rule. It was a rule which was tentatively, at least, approved by the Congress in the act of 1939. That is the rule under which we have presumed we were proceeding.

The memorandum just read by the able Senator from Kentucky [Mr. BARKLEY] from the equally able Administrator of the Social Security Board, Dr. Altmeyer, testifies, plainly and frankly, that this reserve fund today is six times the highest anticipated benefit requirements in the next 5 years.

In other words, Mr. President, from the very address which has just been made by the distinguished Senator from Kentucky, and the very witness upon whom he relies in his appeal for a defeat of the amendment now under consideration, comes the testimony that the reserve fund is today twice as large as is required under the rule announced by the Secretary of the Treasury himself.

Mr. President, when we confront a situation of that kind, in fairness to the taxpayers of the country and, particularly, the workers of the country, who must assimilate within the next few months the terrific burden of the tax bill which we are writing here this week, I submit that as a matter of elementary prudence and fair play they should not be required to pay a 100-percent increase in social-security pay-roll taxes, for no other purpose than to needlessly swell an unnecessarily large reserve fund upon which Mr.

Morgenthau can rely to sell a few War bonds.

Mr. President, let us not have any doubt about Dr. Altmeyer's attitude on this subject. I, myself, sent a questionnaire to Dr. Altmeyer in September, and I asked him a few questions. Listen, Senators—this is the same witness who the able Senator from Kentucky says ought to be the controlling witness in respect to this question. Question to Dr. Altmeyer from me:

What pay-roll tax, on employer and employee, is necessary in 1943 in order to maintain a "reserve" which is "three times the highest annual expenditure expected in the next 5-year fiscal period?"

In other words, what pay-roll tax is necessary in order to maintain this reserve at the point where the Secretary of the Treasury says it ought to be maintained? What is Dr. Altmeyer's answer?

With continuance of the conditions assumed in table 3 of the trustee's report—

And that is the normal contemplation of what is about to happen economically under the Social Security Act in 1943—qouting Dr. Altmeyer:

If no taxes whatever—

Says Dr. Altmeyer—

If no taxes whatever were collected in the fiscal year 1943, the trust fund at the end of the year would be about $3,100,000,000, which would still be more than three times the highest annual anticipated expenditure during the next 5 fiscal years.

Mr. President, it is not necessary to raise a nickel of additional taxes in order to maintain the reserve which Mr. Morgenthau himself says is essential and prudent and adequate under this system.

Mr. President, there simply can be no question about the figures, and I fail to see how there can be any question about the conclusions to be drawn from the figures. I even went so far as to ask Dr. Altmeyer to contemplate these expenditures at the utter maximum to which any possible depressed circumstances could conceivably plague this country during the next 5 years. I got the same answer that the able Senator from Kentucky just read from his memorandum. Even if one should sink to the lowest depths of pessimism in respect to the economic prospectus of this country in the next 5 years, still—the able Senator from Kentucky just read it himself from his own memorandum—still the reserve fund is three times as large as is required.

Mr. President, under those circumstances I submit that there is not any sense in permitting an automatic additional 100-percent increase in pay-roll taxes to attach themselves to the employers and the employees of this country on January 1, 1943.

It has been said that the workers have indicated their willingness, their desire, to have this increase occur as originally proposed. Mr. President, I concede that the high spokesmen for the C. I. O. and for the A. F. of L. have taken that position, and I greatly respect their spokesmanship, although that is not controlling with my decision in this matter; but I wish to add that I seriously doubt whether a referendum among 40,000,000 workers themselves would produce the testimony that they want their taxes increased 100 percent on January 1, when it obviously is not necessary as a matter of sound finance or as a matter of social-security necessity.

Mr. BARKLEY. Mr. President——

The PRESIDING OFFICER (Mr. DOXEY in the chair). Does the Senator from Michigan yield to the Senator from Kentucky?

Mr. VANDENBERG. I yield.

Mr. BARKLEY. Does the Senator think that the men for whom he is now presuming to speak in lieu of Mr. Green and Mr. Murray would prefer to have their taxes increased by 200 percent on January 1, 1944, rather than to have them increased by 100 percent on January 1, 1943, and another 50 percent on January 1, 1944?

Mr. VANDENBERG. No; I do not suppose that they would prefer to have their taxes increased 1,000 percent a week from Easter, but—so what? There is no such premise pending.

Mr. BARKLEY. There is no proposal to increase their tax a thousand percent on Easter, or at Christmas, or any other day.

Mr. VANDENBERG. Nor is there pending any such premise as the Senator indicates.

Mr. BARKLEY. Let us see what the rate of increase would be if we postpone the increase——

Mr. VANDENBERG. For 1 year.

Mr. BARKLEY. For 1 year. Then they have to pay in January 1944 the 100-percent increase they would otherwise have to pay this coming January, plus the 1-percent increase due on January 1, 1944, which would be a 50-percent increase, so my figures are correct, that if we postpone the increase, and they have to pay it in January 1944, for 1943 and 1944, there would be a 200-percent increase.

Mr. VANDENBERG. The Senator's figures are perfectly fantastic, because there is no suggestion that this is an accumulative tax, and that they have to pick it up next year, any more than they are picking up this year the tax which we postponed last year. They would be precisely in the same status next year with respect to these taxes as they were this year with respect to last year's taxes which we put over, as the Senator remembers, a few months ago.

Mr. BARKLEY. If the actuaries of the social-security program are correct, that this much money must be raised by the end of the 5-year period, and that the number of the beneficiaries will automatically increase when we get out of this spiral of employment and high wages, postponement of increased payment will only mean that at some time they will have to pay the entire amount of money they would have paid gradually over the 5-year period. The Senator can make whatever percentage rate he wants to out of it, but I think the necessity for such payment would come at a time when probably the majority of our workers would find it most difficult to meet any such duplication of payments as will be necessary to create the fund which will be needed at that time.

Mr. VANDENBERG. I disagree with the Senator completely, with his interpretation of the letter which he read, to begin with, and I disagree completely with his interpretation of the situation which will result. There will be no accumulation of taxes as the result of this postponement.

Mr. BARKLEY. In other words, if we convince the Senator against his will, he remains of the same opinion still.

Mr. VANDENBERG. He certainly does. He has heard nothing which remotely shakes it.

Mr. BARKLEY. And he could not be shaken.

Mr. VANDENBERG. Yes; he could. He has heard from Dr. Altmeyer in a far different fashion than the memorandum which the Senator from Kentucky read, in which Dr. Altmeyer said that the reserve at this moment is six times the necessities of the highest annual benefit requirement in the next 5 years, when the official rule of the Government is that three times the reserve is all that is necessary.

Mr. President, the distinguished President of the United States sent a letter to the Senate this morning through the able Senator from Georgia [Mr. GEORGE] on this subject. I wish to refer to the President's letter. He asked for a rejection of the amendment. Anything which the President of the United States chooses to say to us is entitled to highly respectful hospitality. Certainly I shall treat his comment in this spirit. But the pending decision is for the Senate and for the House to make. The President's turn in the legislative process comes later. Furthermore, I am forced squarely to challenge the Presidential assertions and conclusions in his letter, and I point out that the letter lacks a single sustaining fact to support its adverse comments.

The President says:

This amendment is causing considerable concern to many persons insured under the old-age and survivors insurance system.

My answer is that if any such fears have been aroused they do not flow from the amendment itself, but from the unsupported statements of the President and his Secretary of the Treasury regarding an alleged hazard which does not exist. The hazard totally disappears in the presence of figures and facts in my humble and very respectful opinion, and that may be the reason why figures and facts are so conspicuous by their absence in these distressing and disturbing statements in high places.

I am constrained to observe that this is another instance where a very famous Presidential epigram acutely applies:

The only thing we need to fear is fear itself.

I add this observation, Mr. President, with great earnestness: If there is any legitimate ground for fear respecting the integrity of the social-security system, it does not flow from an effort to hold pay-roll taxes within the limits necessary to finance existing social-security benefits. No; but it flows from any effort to use the social security taxing function for any ulterior or collateral purpose, and

that exact thing is what the defeat of this amendment would do.

The President says in his letter:

In 1939 we departed temporarily from the original schedule of contributions, with the understanding that the original schedule would be resumed on January 1, 1943.

Again with great respect, I suggest that someone has misinformed the President about what happened in 1939. We did not depart temporarily from the original law at that time. We deliberately and consciously changed the whole basis of contributions. We departed permanently from the old system of full reserves, a system which would have climaxed in the Gargantuan and fantastic reserve of $49,000,000,000 in 1980. We accepted the recommendations of an impartial commission of independent experts, who concluded that a public tax-supported system of old-age benefits does not require the full reserves which would be necessary in a private, premium-supported system. We—and by "we" I mean Congress—departed permanently from the original system, which represented needless pay-roll tax burdens, and went permanently to a pay-as-you-go system, with only contingent reserves. That is a cardinal fact never to be overlooked in this controversy. Failure to appreciate this fact could easily lead one into the error which I respectfully suggest lies at the base of the President's letter. The Senate should not embrace a similar error.

In 1939 we abandoned full reserves and, for sound reasons, and upon the best available expert advice that could be mobilized from all sections of the United States, went to a basis of contingent reserves. Secretary of the Treasury Morgenthau, speaking for the President's administration, laid down the prudent rule which should measure the validity of such contingent reserves. I have already laid it before the Senate. Under that rule this amendment is not only justified; it is required. Otherwise, using Presidential language, the thing we shall depart from is the rule of conduct laid down by Congress itself in 1939. In other words, it is the President, and not I, who becomes the great departer under these circumstances.

The President says that—

this is the time to strengthen, not to weaken, the Social Security System.

I agree, Mr. President; but I suggest that nothing would more greatly weaken the Social Security System than to permit its taxing function, in the first great emergency it has ever faced, to be utilized for something more than or different from the social-security benefits which the pay-roll taxes are presumed to buy. In my view the only purpose to be served by increased pay-roll taxes next January is to create a super-surplus not required for the payment of social-security and old-age benefits under the 1939 program, but solely to create an automatic market for the sale of about $1,000,000,000 more of War bonds. The Secretary of the Treasury practically acknowledged that proposition in simple language in the press announcement which he released the other day.

God knows, I recognize the need for uch a market for War bonds, many times over; but the financing of war bonds is the obligation of our whole people, and not merely the obligation of our workers and employers, who are under the Social Security System. The War bond program must be adequate and comprehensive, far more so than contemplated by any fiscal program yet submitted to Congress, either by the President or by his Secretary of the Treasury. To use the social-security reserves in this connection, however, is to strain at a gnat and swallow a camel. To use social-security reserves for any collateral purpose other than social-security benefits is to "weaken the Social Security System" at a vital spot. I respectfully suggest that the President's phrase unwittingly defines his objectives, and not mine, in respect to this controversy.

The President says he proposes—

to submit a comprehensive program for expanding and extending the whole Social Security System.

A program which will require—

further increase in rates of contribution.

Well and good. Mark me well. When Congress expands social-security benefits—and they should be expanded in many instances—it will be time enough to increase pay-roll taxes to equalize the cost. I will support such increases under such circumstances; but this is wholly beside the present point. Any reference to the expansion of the Social Security System itself, and the increase in benefits, is merely a red herring across the trail.

The present point is that the pending amendment says that pay-roll taxes shall not be increased unless and until it is necessary to create a larger revenue to pay larger benefits. That can be done any time in 1943, if and when Congress extends and expands the benefits, regardless of the action taken today on the pending amendment. Today's action simply decides whether the taxes shall needlessly go up before the benefits rise in proportion. That is the issue in a nutshell.

Mr. President, I wish to submit one further fact. I shall not labor the point further with the Senate. I could present testimony ad infinitum, from the best social-security sources in this country, that the collateral use of needless social-security revenues is the most serious possible assault that could be made upon the integrity and perpetuity of the social-security fund. The greatest authority of all upon this subject is the social-security organization in New York City known as the American Association for Social Security, which was operated for many years by Mr. Abraham Epstein, who recently died—an association which has bitterly condemned, from the very moment Secretary Morgenthau first proposed the use of social-security taxes in this fashion, any such diversion of the taxing function.

Mr. President, I said I wished to refer to one further fact. The social-security pay-roll taxes which will be collected in 1943, at 1 percent, leaving the rate where it is at this moment, will be equal to the taxes which Dr. Altmeyer and his board estimated 3 years ago they could collect in 1943 at 2 percent on employers and employees alike.

In other words, when we maintain and freeze the rate where it is, we still are producing the revenue which the Social Security Board itself prophesied would require a 2-percent tax in 1943 to obtain.

Mr. President, I leave the issue with the Senate. I shall be quite content, of course, with the verdict. I submit that protection of the tax function of the Social Security System is vital to the maintenance of the social-security principle; and I submit that in the face of the tremendous $8,000,000,000 burden which we are now placing on the American people, it would be not only senseless, but utterly crude, to add a needless further burden of a 100-percent increase in social-security pay-roll taxes, which, under the definitions of the Secretary of the Treasury himself, is not necessary either to the functioning or the solvency of the fund.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment on page 574, after line 22.

Mr. VANDENBERG. I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. TAFT. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. TAFT. As I understand, a vote of "yea" is a vote to keep the committee amendment in the bill, and freeze the social-security taxes.

The PRESIDING OFFICER. That is correct.

The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. REED (when his name was called). I have a general pair with the senior Senator from New York [Mr. WAGNER]. On this vote I transfer that pair to the junior Senator from New Hampshire [Mr. TOBEY], and will vote. I vote "yea."

Mr. THOMAS of Utah (when his name was called). I have a general pair with the senior Senator from New Hampshire [Mr. BRIDGES]. I transfer that pair to the senior Senator from Rhode Island [Mr. GREEN], who I am informed, if present, would vote "nay." I vote "nay."

The roll call was concluded.

Mr. RADCLIFFE. The senior Senator from Maryland [Mr. TYDINGS] is unavoidably absent. Were he present, his vote would be "yea."

Mr. BYRD. My colleague the senior Senator from Virginia [Mr. GLASS] is detained from the Senate on account of illness. Were he present he would vote "yea."

Mr. HILL. I announce that the Senator from Delaware [Mr. HUGHES] is absent from the Senate because of illness.

The Senator from Florida [Mr. ANDREWS], the Senator from Idaho [Mr. CLARK], the Senator from Rhode Island [Mr. GREEN], the Senator from Georgia [Mr. RUSSELL], the Senator from New Jersey [Mr. SMATHERS], and the Senator from New York [Mr. WAGNER] are necessarily absent.

I am advised that, if present and voting, the Senator from Rhode Island [Mr. GREEN], the Senator from New Jersey [Mr. SMATHERS], and the Senator from New York [Mr. WAGNER] would vote "nay."

Mr. McNARY. The Senators from New Hampshire [Mr. BRIDGES and Mr. TOBEY] are necessarily absent. Their pairs have been announced. Both Senators would vote "yea," if present.

The result was announced—yeas 50, nays 35, as follows:

YEAS—50

Aiken	George	Reed
Austin	Gerry	Rosier
Bailey	Gillette	Schwartz
Ball	Guffey	Shipstead
Barbour	Gurney	Smith
Brewster	Herring	Spencer
Brooks	Holman	Taft
Bulow	Johnson, Calif.	Thomas, Idaho
Burton	Johnson, Colo.	Truman
Butler	Kilgore	Vandenberg
Byrd	Lodge	Van Nuys
Capper	McNary	Walsh
Chavez	Millikin	Wheeler
Clark, Mo.	Nye	White
Connally	O'Daniel	Wiley
Danaher	O'Mahoney	Willis
Davis	Radcliffe	

NAYS—35

Bankhead	Hayden	Murdock
Barkley	Hill	Murray
Bilbo	La Follette	Norris
Bone	Langer	Overton
Brown	Lee	Pepper
Bunker	Lucas	Reynolds
Caraway	McCarran	Stewart
Chandler	McFarland	Thomas, Okla.
Downey	McKellar	Thomas, Utah
Doxey	Maloney	Tunnell
Ellender	Maybank	Wallgren
Hatch	Mead	

NOT VOTING—11

Andrews	Green	Tobey
Bridges	Hughes	Tydings
Clark, Idaho	Russell	Wagner
Glass	Smathers	

So the committee amendment was agreed to.

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The PRESIDING OFFICER. The question is, Shall the bill pass?

Mr. BARKLEY and several other Senators asked for the yeas and nays.

The yeas and nays were ordered, and the Chief Clerk proceeded to call the roll.

Mr. PEPPER (when Mr. ANDREWS' name was called). The senior Senator from Florida [Mr. ANDREWS] is necessarily absent in Florida. If present, he would vote "yea."

The roll call was concluded.

Mr. GERRY. I announce that the junior Senator from Virginia [Mr. BYRD] is unavoidably absent. If present, he would vote "yea."

Mr. MEAD. My colleague the senior Senator from New York [Mr. WAGNER] is unavoidably absent. If he were present he would vote "yea."

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS], and the Senator from Delaware [Mr. HUGHES] are absent because of illness.

The Senator from Rhode Island [Mr. GREEN], the Senator from New Jersey [Mr. SMATHERS], the Senator from Montana [Mr. WHEELER], are necessarily absent.

I am advised that if present and voting the Senators I have named would vote "yea."

The Senator from Nevada [Mr. MCCARRAN] is detained in a conference at the Treasury Department. If present he would vote "yea."

The Senator from California [Mr. DOWNEY], the Senator from Iowa [Mr. GILLETTE], and the Senator from Georgia [Mr. RUSSELL] are necessarily absent.

Mr. MURDOCK. The senior Senator from Utah [Mr. THOMAS] is unavoidably absent from the Senate at this time. I am advised that if he were present he would vote "yea."

Mr. MCNARY. I announce that the Senator from Vermont [Mr. AUSTIN], the Senator from New Hampshire [Mr. BRIDGES], the Senator from North Dakota [Mr. NYE], the Senator from Kansas [Mr. REED], the Senator from New Hampshire [Mr. TOBEY], and the Senator from Indiana [Mr. WILLIS] are necessarily absent. I am informed that if present and voting these Senators would all vote "yea."

The result was announced—yeas 77, nays 0, as follows:

YEAS—77

Aiken	George	Norris
Bailey	Gerry	O'Daniel
Ball	Guffey	O'Mahoney
Bankhead	Gurney	Overton
Barbour	Hatch	Pepper
Barkley	Hayden	Radcliffe
Bilbo	Herring	Reynolds
Bone	Hill	Rosier
Brewster	Holman	Schwartz
Brooks	Johnson, Calif.	Shipstead
Brown	Johnson, Colo.	Smith
Bulow	Kilgore	Spencer
Bunker	La Follette	Stewart
Burton	Langer	Taft
Butler	Lee	Thomas, Idaho
Capper	Lodge	Thomas, Okla.
Caraway	Lucas	Truman
Chandler	McFarland	Tunnell
Chavez	McKellar	Tydings
Clark, Idaho	McNary	Vandenberg
Clark, Mo.	Maloney	Van Nuys
Connally	Maybank	Wallgren
Danaher	Mead	Walsh
Davis	Millikin	White
Doxey	Murdock	Wiley
Ellender	Murray	

NOT VOTING—19

Andrews	Green	Thomas, Utah
Austin	Hughes	Tobey
Bridges	McCarran	Wagner
Byrd	Nye	Wheeler
Downey	Reed	Willis
Gillette	Russell	
Glass	Smathers	

So the bill H. R. 7378 was passed.

Mr. GEORGE. I move that the Senate insist upon its amendments, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. CONNALLY, Mr. LA FOLLETTE, Mr. CAPPER, and Mr. VANDENBERG conferees on the part of the Senate.

Mr. GEORGE. Mr. President, I ask unanimous consent that the bill be printed with the amendments numbered.

The PRESIDING OFFICER. Without objection, it is so ordered.

77TH CONGRESS
2D SESSION

H. R. 7378

IN THE SENATE OF THE UNITED STATES

OCTOBER 10 (legislative day, OCTOBER 5), 1942
Ordered to be printed with the amendments of the Senate numbered

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1942":

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(502) *TITLE VII—SOCIAL SECURITY TAXES*

SEC. 701. AUTOMATIC INCREASE IN 1943 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1944 and 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act

(Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1944 and 1945, the rate shall be 2 per centum."

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77TH CONGRESS
2D SESSION

H. R. 7378

AN ACT

To provide revenue, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 10 (legislative day, OCTOBER 5), 1942

Ordered to be printed with the amendments of the Senate numbered

House is requested, a bill of the House of the following title:

H. R. 7378. An act to provide revenue, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. WALSH, Mr. BARKLEY, Mr. CONNALLY, Mr. LA FOLLETTE, Mr. CAPPER, and Mr. VANDENBERG to be the conferees on the part of the Senate.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the

THE REVENUE ACT OF 1942

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 7378) to provide revenue and for other purposes, with Senate amendments, disagree to the Senate amendments and agree to the conference requested by the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. MARTIN of Massachusetts. Mr. Speaker, reserving the right to object, I would like to ask the distinguished chairman of this great Committee on Ways and Means when he expects to have the conference report back to the House?

Mr. DOUGHTON. I would say to the distinguished minority leader that is a rather difficult question to answer. We expect to get it back just as early as is humanly possible. We hope to do it this week, but I cannot give the gentleman any such assurance.

Mr. MARTIN of Massachusetts. The gentleman is going to try to get it back as quickly as possible?

Mr. DOUGHTON. Absolutely. All this talk about the bill not being brought up until after the elections, as far as the chairman of this committee knows, is all bunk. It is our purpose to expedite it as much as is humanly, reasonably possible.

Mr. MARTIN of Massachusetts. I am sure, as far as the House is concerned, there has been no effort to delay the passage of this bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]? [After a pause.] The Chair hears none and appoints the following conferees: Mr. DOUGHTON, Mr. CULLEN, Mr. COOPER, Mr. BOEHNE, Mr. TREADWAY, Mr. KNUTSON, and Mr. REED of New York.

THE REVENUE BILL, 1942

The SPEAKER. The Chair desires to recognize the gentleman from North Carolina [Mr. DOUGHTON] to submit a unanimous consent request.

Mr. DOUGHTON. Mr. Speaker, by request of my colleague the gentleman from New York [Mr. CULLEN] a member of the Ways and Means Committee, I ask unanimous consent that he may be excused from serving as one of the conferees on the tax bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina. [After a pause.] The Chair hears none and appoints the gentleman from Oklahoma [Mr. DISNEY] to serve as

a member of the conference on the part of the House.

MESSAGE FROM THE HOUSE

The message also announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DOUGHTON, Mr. COOPER, Mr. BOEHNE, Mr. DISNEY, Mr. TREADWAY, Mr. KNUTSON, and Mr. REED of New York were appointed managers on the part of the House at the conference.

77TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 2586

REVENUE ACT OF 1942

OCTOBER 19, 1942.—Ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 7378]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 76, 114, 216, 243, 387, 388, 389, 392, 400, 407, 414, 415, 432, 436, 461, 484, 492, and 501.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 72, 73, 74, 75, 79, 80, 82, 84, 85, 87, 89, 90, 91, 94, 95, 96, 97, 98, 99, 100, 101, 102, 108, 109, 113, 118, 119, 120, 121, 122, 123, 126, 128, 129, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 146, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 180, 182, 183, 184, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 199, 200, 201, 202, 207, 209, 210, 211, 212, 213, 214, 218, 222, 223, 225, 226, 227, 228, 229, 230, 231, 232, 233, 235, 236, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 292, 293, 294, 295, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 390, 393, 394, 395, 396, 397, 398, 401, 403, 404,

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ference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 76, 114, 216, 243, 387, 388, 389, 392, 400 407, 414, 415, 432, 436, 461, 484, 492, and 501.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 72, 73, 74, 75, 79, 80, 82, 84, 85, 87, 89, 90, 91, 94, 95, 96, 97, 98, 99, 100, 101, 102, 108, 109, 113, 118, 119, 120, 121, 122, 123, 126, 128, 129, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 146, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 180, 182, 183, 184, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 199, 200, 201, 202, 207, 209, 210, 211, 212, 213, 214, 218, 222, 223, 225, 226, 227, 228, 229, 230, 231, 232, 233, 235, 236, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 292, 293, 294, 295, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 390, 393, 394, 395, 396, 397, 398, 401, 403, 404, 405, 406, 408, 409, 410, 411, 412, 413, 416, 417, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 433, 434, 437, 439, 440, 441, 442, 443, 444, 445, 446, 447, 450, 451, 452, 453, 454, 455, 456, 457, 458, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 475, 476, 477, 478, 479, 480, 481, 482, 483, 485, 486, 487, 488, 489, 490, 491, 493, 494, 495, 496, and 502, and agree to the same.

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CONFERENCE REPORT ON THE REVENUE BILL

Mr. DOUGHTON. Mr. Speaker, I call up the conference report on the bill (H. R. 7378) to provide revenue, and for other purposes, and ask unanimous consent that the statement may be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, having met, after full and free con-

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Amendment No. 502: This amendment postpones the increase in the rates of tax imposed by the Federal Insurance Contributions Act by providing that the 1 percent rate shall remain effective through the calendar year 1943, and that the 2 percent rate shall apply to wages paid and received during the calendar years 1944 and 1945. The House receded.

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Mr. TREADWAY. So would I. I think the Secretary of the Treasury chose a rather poor time to broach that. I think it is unfortunate that he took occasion to say that he wanted another tax bill just at the time when we are finishing the present one. Even before we had finished the bill, he told us what he wanted us to do in the next one. I think that was a rather unfortunate time to announce such a thing.

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Of general interest is the action of the conference committee in adopting the Senate amendment providing for the freezing of the present 1-percent rate under the social-security pay-roll tax for another year. Under existing law, it would automatically increase to 2 percent on both employers and employees on January 1 next. Under the present 1-percent rate, the reserves are already twice the amount contemplated by Congress, and they will continue to increase with the expansion of pay rolls. Since the pay-roll taxes are only intended to meet the needs of the Social Security System, and are not for general revenue purposes, there is no justification for exacting an additional 1 percent from both employers and employees at this time. I am personally very much opposed to using social security taxes for other than social security purposes, and for that reason am very much in sympathy with the amendment freezing the present rate for another year. The matter can be reexamined later in the light of conditions then existing.

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The SPEAKER. All time has expired

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the adoption of the conference report.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The question was taken; and on a division (demanded by Mr. PATMAN) there were—ayes 130, noes 2.

So the conference report was agreed to.

A motion to reconsider was laid on the table.

MESSAGE FROM THE HOUSE

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes.

REVENUE ACT OF 1942—CONFERENCE REPORT

Mr. GEORGE. Mr. President, I wish to present and have considered the conference report on House bill 7378, the tax bill, but before taking it up I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

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

Aiken	Gerry	Pepper
Andrews	Gillette	Radcliffe
Austin	Green	Reed
Bailey	Guffey	Reynolds
Ball	Gurney	Rosier
Barbour	Hatch	Russell
Barkley	Hayden	Schwartz
Bilbo	Hill	Shipstead
Bone	Johnson, Calif.	Smathers
Brewster	Kilgore	Spencer
Bulow	La Follette	Thomas, Idaho
Bunker	Langer	Thomas, Okla.
Burton	Lee	Thomas, Utah
Butler	McFarland	Tobey
Capper	McKellar	Tunnell
Caraway	McNary	Tydings
Chandler	Maloney	Vandenberg
Chavez	Maybank	Van Nuys
Connally	Mead	Wagner
Danaher	Murdock	Wallgren
Davis	Norris	Walsh
Downey	Nye	Wheeler
Doxey	O'Daniel	Wiley
Ellender	O'Mahoney	Willis
George	Overton	

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

Mr. GEORGE submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 7378) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 76, 114, 216, 243, 387, 388, 389, 392, 400, 407, 414, 415, 432, 436, 461, 484, 492, and 501.

That the House recede from its disagreement to the amendments of the Senate numbered 1, 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 72, 73, 74, 75, 79, 80, 82, 84, 85, 87, 89, 90, 91, 94, 95, 96, 97, 98, 99, 100, 101, 102, 108, 109, 113, 118, 119, 120, 121, 122, 123, 126, 128, 129, 132, 133, 134, 135, 136, 138, 139, 140, 141, 142, 143, 144, 145, 146, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 162, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 180, 182, 183, 184, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 199, 200, 201, 202, 207, 209, 210, 211, 212, 213, 214, 218, 222, 223, 225, 226, 227, 228, 229, 230, 231, 232, 233, 235, 236, 237, 238, 239, 240, 241, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 292, 293, 294, 295, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 390, 393, 394, 395, 396, 397, 398, 401, 403, 404, 405, 406, 408, 409, 410, 411, 412, 413, 416, 417, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 433, 434, 437, 439, 440, 441, 442, 443, 444, 445, 446, 447, 450, 451, 452, 453, 454, 455, 456, 457, 458, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 475, 476, 477, 478, 479, 480, 481, 482, 483, 485, 486, 487, 488, 489, 490, 491, 493, 494, 495, 496, and 502, and agree to the same.

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The PRESIDING OFFICER. Is there objection to the present consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

Mr. GEORGE. Mr. President, I propose to make only a brief statement with respect to some of the material things which were done in conference.

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The Senate provisions relating to the freezing of social-security taxes were agreed to by the House, as well as the amendments offered by the senior Senator from Massachusetts [Mr. WALSH], as chairman of the subcommittee, relating to the renegotiation of contracts.

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The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

[PUBLIC LAW 753—77TH CONGRESS]

[CHAPTER 619—2D SESSION]

[H. R. 7378]

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1942":

TABLE OF CONTENTS

[In the following table, a section number following the title of a section of this Act indicates the provision of the Internal Revenue Code to which such section of this Act makes the principal amendment.]

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TITLE VII—SOCIAL SECURITY TAXES

SEC. 701. AUTOMATIC INCREASE IN 1943 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1944 and 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, and 1943, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1944 and 1945, the rate shall be 2 per centum."

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Approved, October 21, 1942, 4.30 p. m.

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 107

CLARIFYING CERTAIN PROVISIONS OF THE MERCHANT MARINE LAWS

FEBRUARY 8, 1943.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. BLAND, from the Committee on the Merchant Marine and Fisheries, submitted the following

REPORT

[To accompany H. R. 133]

The Committee on the Merchant Marine and Fisheries, to whom was referred the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Page 12, line 12, strike out "January 1" and insert in lieu thereof "June 30".

This amendment would correct an inadvertent failure to change a date on reintroduction of the measure and would adjust the effective date of the new paragraph with respect to proceedings to enforce lien claims and also conform to the date in a comparable provision found on page 9, lines 7 and 8.

GENERAL STATEMENT

The bill, H. R. 133, is a reintroduction of the bill H. R. 7424, Seventy-seventh Congress, substantially in the form in which it was reported favorably by your committee (H. Rept. No. 2572) and passed the House of Representatives without amendment on October 19, 1942. The bill was reported favorably with certain amendments by the Committee on Commerce of the Senate on December 4, 1942 (S. Rept. No. 1813). Because of the imminent adjournment of Congress (December 16, 1942) the bill was not pressed for consideration in the Senate.

The bill, H. R. 133, contains many provisions to facilitate efficient operation of the merchant marine in wartime, to clear up points of uncertainty and difficulty, and is of particular interest and benefit to seamen and their dependents. The committee urge prompt consideration and early enactment of the bill.

The detailed provisions of the bill and its objectives are set forth and discussed in the report of this committee on the predecessor bill, H. R. 7424, Seventy-seventh Congress (H. Rept. No. 2512) which is attached hereto and made a part hereof [pages 8–41]. The few differences between H. R. 133 and the predecessor bill are explained at the close of this general statement [pages 6–8].

Seamen's Benefits

The effect of section 1 is to provide that officers and crew members who are employed on behalf of the United States through the War Shipping Administration shall be put on the same basis as seamen in private employment with respect to rights, benefits, and privileges in connection with employment, particularly in case of death, injury, or other casualty. Under the bill, these employees of the War Shipping Administration will have the seaman's right to wages, maintenance, and cure, in case of illness or injury in the ship's service. They will have the benefits of the Public Health Service, including marine hospitals, like other seamen. They will have old-age and survivors' insurance under the Social Security Act. They will continue to have the right to indemnity through court action for injury resulting from unseaworthiness of the vessel or defects in vessel appliances, and they (and their dependents) will have the right to action under the Jones Act (1920) for injury or death resulting from negligence of the employer. Such seamen will have the right to enforce claims for these benefits according to the procedure of the Suits in Admiralty Act except that claims with respect to social-security benefits shall be prosecuted in accordance with the procedure provided in the social-security law. The seamen and their dependents or beneficiaries will have the protection of war-risk insurance at the employer's expense in accordance with the decisions of the Maritime War Emergency Board as required for all privately employed seamen.

To avoid confusion and duplication of benefits, these seamen would be expressly excluded from coverage under certain statutes which otherwise would in some cases at least apply to them. These seamen employees would not be covered under the Civil Service Retirement Act because of the temporary character of their Government employment and because as private employees they have the old-age benefits of the Social Security Act. They are not to be covered under the United States Employees' Compensation Act because they and their dependents have the right to sue for indemnity or damages under the Jones Act in case of death or injury and they and their beneficiaries have the protection of Government war-risk insurance. They would be excluded from coverage under Public Law 490, Seventy-Seventh Congress, because the pay and allowances provided in that act for missing and interned employees of the United States are furnished for seamen and their dependents under the requirements of the Maritime War Emergency Board. They are not to be covered under Public 784, Seventy-seventh Congress, which provides war

casualty compensation and detention payments for contract employees of the United States serving outside the United States, because the seamen in question are protected under the right to sue for indemnity or damages and under the war-risk insurance coverage.

The basic scope and philosophy of the measure is to preserve private rights of seamen while utilizing the merchant marine to the utmost for public wartime benefit. Except in rare cases the ships themselves are being operated as merchant vessels, and are therefore subject to the Suits in Admiralty Act. Granting seamen rights to sue under that act is therefore entirely consistent with the underlying pattern of the measure. This should follow even in the extraordinary case where vessels might otherwise technically be classed as public vessels.

The provisions of section 1 are made applicable with respect to rights and claims which may have accrued prior to the enactment of the bill. Any claim or action of the seaman employee accruing on or after October 1, 1941, and prior to the enactment of the measure may be enforced, upon election to do so, in accordance with the provisions of section 1 as if it had been law when the claim or action accrued.

The specific amendments to existing law necessary to implement the policy to continue or reinstate seamen employees of the War Shipping Administration under the old-age and survivors' insurance provisions of the Social Security Act are contained in subsection (b) (1), (2), (3), and (4) of section 1. These are amendments to section 1426 of the Internal Revenue Code and section 209 of the Social Security Act. Coverage under the old-age benefits would be retroactive to October 1, 1941, subject to adjustment where the employees' tax for the employment period had not been paid.

Improved Insurance Protection for Seamen and Their Dependents

Section 2 of the bill would amend the War Risk Insurance Act to authorize insurance to be provided for officers and members of crews not only against disability, detention, or death arising from war risks, but also any risk ordinarily considered a marine risk but in fact arising directly or indirectly out of war conditions, and would provide retroactive coverage for casualties to vessels and their crews occurring in the first part of the war and just prior to the beginning of the war. The amendment is designed to give complete protection to seamen and their dependents or beneficiaries during the time of war on privately operated or Government operated vessels. Several deserving cases arose from the early casualties and the retroactive coverage would prevent discrimination against and unreasonable hardship for these seamen and their dependents arising from the restricted type of insurance available at the time, misunderstandings of legal rights, oversights, or emergencies. Section 2 would authorize the insurance of officers and members of crews of vessels and other persons transported thereon against death, injury, or detention arising from marine risks to the extent determined to be necessary or desirable and would expressly authorize such insurance benefits to be furnished on a similar basis to cover cases arising during the period beginning October 1, 1941, and before the enactment of the bill.

Vessel Requisition Procedure

The first four subsections of section 3 are designed to improve the administration of the requisition laws (sec. 902 of the Merchant Marine Act, 1936, and Public Law 101, 77th Cong.). This bill does not contain the amendment heretofore proposed by the Senate Commerce Committee in its report of December 4, 1942, on the bill H. R. 7424. This problem of just compensation and the enhancement clause has been left for separate consideration.

The first amendment (sec. 3 (a)) makes it clear that, confirming existing practice, partial deposits may be made with the Treasurer of the United States, on account of just compensation in order to facilitate the payment of valid claims against the requisitioned vessel other than the claim of the owner for just compensation.

Subsection (b) clarifies and prescribes standards to be followed in case of a requisition of title when it subsequently appears that the ownership of the vessel is not required by the United States. There are cases where title requisition has been necessary in order to get control of the vessel even though it later develops that use, and not ownership, is required. The cases have involved primarily small boat acquisition for auxiliary naval or military purposes and acquisition of vessels in foreign ports or for diplomatic or governmental reasons. Subsection (b) would require that any contemplated conversion of title requisition to use requisition be made prior to payment in full, or payment of 75 percent, of just compensation therefor, and would require that the determination be published in the Federal Register. It is also provided (as proposed by the Senate Commerce Committee by amendment to H. R. 7424, the predecessor bill) that no determination to change title requisition to use requisition be made in case of a vessel owned by a citizen of the United States, after 2 months following delivery of the vessel under title requisition, unless consent of the owner is had. The subsection also provides (as proposed by a further Senate Commerce Committee amendment to H. R. 7424), in accord with a suggestion of the State Department, that the War Shipping Administration, upon recommendation of the Secretary of State, may change title requisition to use requisition where a foreign vessel has been lost or destroyed or converted to military or naval use by the United States.

Subsection (c) of section 3 specifically makes it the duty of officers and agents of a court having possession of a requisitioned vessel, to comply with the order of requisitioning and transfer custody upon the filing of a certified copy of the requisition order with the court.

Subsection (d) of section 3, amending section 902 (d) of the Merchant Marine Act, 1936, by adding a paragraph, sets forth a procedure for the handling of valid liens and encumbrances against requisitioned American-owned vessels. This procedure is similar to that worked out by the Senate Commerce Committee in the case of foreign vessels under the Foreign Vessels Requisition Act (Public Law 101). Under this amendment deposits may be made with the Treasurer of the United States on account of just compensation for American-owned vessels, but only to the extent necessary to provide for the payment of valid liens and encumbrances existing at the time of the requisition.

IMPROVED INSURANCE ADMINISTRATION AND COVERAGE

The last seven subsections of section 3 contain various amendments to the War Risk Insurance Act and Public Law 101, Seventy-seventh Congress, designed to clarify the administration of the act and to cover some minor gaps in the insurance protection now provided thereunder.

The amendments in subsection (e) would permit more effective use of existing underwriting and adjustment facilities by permitting an allowance to an agent for servicing insurance written by the underwriting agent, and for services of an insurance carrier for handling reinsurance, such allowance, however, not to provide for payment by the agent or the carrier of commissions in excess of 5 percent of the premium.

Subsection (f) of section 3 would make it possible for Government agencies to procure, under the machinery provided in the War Risk Insurance Act, coverage for marine risks on vessels in which the United States has an interest, in accordance with the existing authority in section 10 of the Merchant Marine Act, 1920, as amended.

Subsection (g) of section 3 provides for interpleader proceedings in war-risk insurance litigation. The amendment provides machinery whereby all conflicting claimants would be brought into the litigation or, if necessary, litigation might be initiated through an action in the nature of a bill of interpleader. The provision is an adaptation of the procedure provided to meet a similar problem in the World War Veterans' Act, 1924, as amended.

Subsection (h) of section 3 would, for the purposes of the War Risk Insurance Act, define the term "risks of war" in such a manner as to clarify the authority to provide war-risk insurance for all risks arising out of the war which are not covered by marine insurance available commercially. If the private market narrows the scope of its insurance coverage, the Administration would be able to cover so much of the abandoned coverage as may be necessary to carry on needed shipping.

Subsection (i) of section 3 would authorize the War Shipping Administration to provide insurance or reinsurance protection against legal liabilities of companies performing services or providing facilities for vessels, public or private, especially in the case of ship repairs. Such protection would be afforded only when not available at reasonable rates and on reasonable conditions from existing American facilities, and would not be available to cover liabilities to employees with respect to employer's liability or workmen's compensation.

Subsection (j) of section 3 would make it clear beyond controversy that the War Risk Insurance Act includes authority to provide insurance protection for agent operators as well as owners or charterers of vessels. The recent determination of the Supreme Court of the United States in *Margaret M. Brady* v. *Roosevelt Steamship Company, Inc.* (No. 269, October term, 1942, January 18, 1943), hold that there is such an independent liability in certain cases.

Subsection (k) of section 3 would expressly extend the insurance powers of the Administration to cover all vessels owned or controlled by the War Shipping Administration, including not only vessels, requisitioned, chartered, or purchased under Public Law 101, Seventy-seventh Congress, which are already expressly covered, but also vessels

requisitioned under the Merchant Marine Act, 1936, as well as vessels constructed by the Maritime Commission.

MISCELLANEOUS

SECTION 4

Section 4 of the bill would eliminate any doubt as to the right of the United States to all exemptions and to limit liability with respect to vessels owned by or chartered to the War Shipping Administrator or operated directly by him or for his account and would cover agent's liabilities under the *Brady case* above referred to.

SECTION 5

Section 5 sets forth the effective date of section 1 (a) of the bill and provides that it will terminate at the same time as title I of the First War Powers Act, 1941, which will be 6 months after the end of the war or such earlier date as the Congress by concurrent resolution or the President may designate. The last sentence of section 5 makes it clear that where certain former powers of the Maritime Commission are placed in the War Shipping Administration for the war period, such powers as modified by the bill shall be exercised by the War Shipping Administrator during the war period.

H. R. 133 IN RELATION TO H. R. 7424, SEVENTY-SEVENTH CONGRESS

The bill (H. R. 133) differs from the bill (H. R. 7424) as it was reported by this committee and as it passed the House in these substantial respects (omitting self-explanatory changes):

Page 2, lines 14 to 18: This language would make it clear that seamen covered by section 1 (a) of the bill are not to be included in the coverage of Public Law 784, Seventy-seventh Congress, which provides compensation for injury or death from war risk hazards to certain contract employees of the United States for services outside the United States. These seamen are already protected under the right to sue for indemnity or damages and under the war-risk insurance furnished seamen under the requirements of the Maritime War Emergency Board. This insurance coverage is comparable to the casualty compensation and detention benefits which would be provided under Public Law 784.

Page 4, line 3: At the end of this subsection there appeared in the bill (H. R. 7424) a provision vesting in the President the authority to extend to seamen, under certain conditions, benefits of the United States Employees Compensation Act. In view of certain objections expressed to this provision before the Senate Commerce Committee, it is omitted from this bill in order to permit further consideration of the matter involved.

Page 6, line 8, and page 8, line 19: Originally the provision with respect to determinations or findings of the War Shipping Administrator under the respective sections were not to be subject to review by any governmental agency. This limitation is omitted with accord of the Comptroller General in opposition to such provisions.

Page 7, lines 21 and 22: The words "or under the control" have been added in order to make it entirely clear that the authority of the War Shipping Administration to provide insurance under the subsection in

question will be effective even though the vessel was not operated by or under the direction of the Maritime Commission or the War Shipping Administration so long as it was under the control thereof through ship warrants or otherwise.

Page 10, line 17, to page 11, line 4: The proviso and the last sentence of subsection (b) comprise the language of amendments proposed by the Senate Committee on Commerce to the bill, H. R. 7424, to meet certain problems in connection with the power to convert a requisition of title of a vessel to a requisition of use. The proviso limits the power of the Government to convert title requisition to use requisition so that such action cannot be taken after the expiration of a period of 2 months following the delivery of the vessel pursuant to title requisition. The sentence at the end of subsection (b) would authorize a determination by the War Shipping Administration to convert a requisition of title into a requisition of use, upon recommendation of the Secretary of State in the case of any vessel requisitioned pursuant to the Foreign Vessels Requisition Act of June 6, 1941, where such vessel is lost or destroyed or converted to military use by the United States.

Page 12, lines 2 and 3: The language "as may equal but not exceed the amount of such claims in respect of the vessel" is inserted to meet a possible interpretation that the language of H. R. 7424 calls for the deposit of the full amount of just compensation with the Treasurer of the United States, whereas the original provision is designed for the protection of lien holders and such protection will be accorded by depositing only that part of the compensation necessary to cover valid claims against the vessel by way of mortgage, maritime claim, or attachment lien.

Page 15, line 19 to page 16, line 2: This subsection (h) did not appear in the bill H. R. 7424. The new subsection would make it clear that the War Shipping Administration may provide war-risk insurance for all risks arising out of the war which are not at the time covered by prevailing commercial marine insurance. The object of this provision (which was proposed by the Senate Commerce Committee as an amendment in its report on the bill in the 77th Cong.) is to avoid any gap in insurance coverage necessary for the protection of shipping during the war. This provision does not change but merely clarifies existing insurance powers of the Administration.

Page 18, lines 1 to 7: This sentence is added to make it clear that the authority which is granted by amendments to existing law contained in the bill and referring to the Maritime Commission shall be exercised by the Administrator of the War Shipping Administration in accordance with the Executive order of February 7, 1942 (which transferred to the War Shipping Administration certain functions of the Maritime Commission for the period of the war).

The bill, H. R. 133, does not contain any amendment to section 902 (a) of the Merchant Marine Act, 1936, as was proposed by the Senate Committee in its Senate Report No. 1813 on H. R. 7424. The proposed amendment to section 902 (a) was designed to clarify the application of that section in payment of just compensation for requisitioned vessels, in view of a recent opinion of the Comptroller General with respect to the interpretation of the enhancement clause in that section. There was no such provision in the House bill as it passed the House and it is contemplated that the necessity for legislation on the subject will be considered by this committee as a separate

matter after full hearing permits adequate consideration of all pertinent factors.

For ready reference and for information, the report on the predecessor bill, H. R. 7424, is set out below.

[H. Rept. No. 2572, 77th Cong., 2d sess.]

The Committee on the Merchant Marine and Fisheries, to whom was referred the bill (H. R. 7424) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

That (a) officers and members of crews (hereinafter referred to as "seamen") employed on United States or foreign-flag vessels as employees of the United States through the War Shipping Administration shall, with respect to (1) laws administered by the Public Health Service and the Social Security Act, as amended by subsection (b) (2) and (3) of this section; (2) death, injuries, illness, maintenance and cure, loss of effects, detention, or repatriation, or claims arising therefrom not covered by the foregoing clause (1); and (3) collection of wages and bonuses and making of allotments, have all of the rights, benefits, exemptions, privileges, and liabilities, under law applicable to citizens of the United States employed as seamen on privately owned and operated American vessels. Such seamen, because of the temporary wartime character of their employment by the War Shipping Administration, shall not be considered as officers or employees of the United States for the purposes of the United States Employees' Compensation Act, as amended; the Civil Service Retirement Act, as amended; or the Act of Congress approved March 7, 1942 (Public Law 490, Seventy-seventh Congress). Claims arising under clause (1) hereof shall be enforced in the same manner as such claims would be enforced if the seaman were employed on a privately owned and operated American vessel. Any claim referred to in clause (2) or (3) hereof shall, if administratively disallowed in whole or in part, be enforced pursuant to the provisions of the Suits in Admiralty Act, notwithstanding the vessel on which the seaman is employed is not a merchant vessel within the meaning of such Act. Any claim, right, or cause of action of or in respect of any such seaman accruing on or after October 1, 1941, and prior to the date of enactment of this section may be enforced, and upon the election of the seaman or his surviving dependent or beneficiary, or his legal representative to do so shall be governed, as if this section had been in effect when such claim, right, or cause of action accrued, such election to be made in accordance with rules and regulations prescribed by the Administrator, War Shipping Administration. Rights of any seaman under the Social Security Act, as amended by subsection (b) (2) and (3) and claims therefor shall be governed solely by the provisions of such Act, so amended. When used in this subsection the term "administratively disallowed" means a denial of a written claim in accordance with rules or regulations prescribed by the Administrator, War Shipping Administration. When used in this subsection the terms "War Shipping Administration" and "Administrator, War Shipping Administration" shall be deemed to include the United States Maritime Commission with respect to the period beginning October 1, 1941, and ending February 11, 1942, and the term "seaman" shall be deemed to include any seaman employed as an employee of the United States through the War Shipping Administration on vessels made available to or subchartered to other agencies or departments of the United States. The President shall, whenever he finds that convenience of administration and the efficient prosecution of the war require, extend to seamen upon such terms and conditions as he finds fair and appropriate any and all the benefits of employees of the United States under the United States Employees' Compensation Act, as amended, and upon such event, the rights, benefits and privileges of such seamen herein provided for with respect to death, injury, illness, and maintenance and cure, shall cease to such extent as the President finds that the termination of such rights, benefits, and privileges is necessary to avoid duplication of payments on account of death, injury, illness, or maintenance and cure.

(b) (1) Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"(i) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission. The term 'wages' means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection."

(2) Section 209 of the Social Security Act, as amended (U. S. C., title 42, sec. 409), is amended by adding at the end thereof the following new subsection:

"(o) (1) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission.

"(2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be conclusive and shall not be reviewed by any person-tribunal, or governmental agency.

"(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board, to make certification to it with respect to any matter determinable for the Board by the War Shipping Administrator under this subsection, which the Board finds necessary in administering this title.

"(4) This subsection shall be effective as of September 30, 1941."

(3) Section 907 of the Social Security Act Amendments of 1939 is amended by inserting after the phrase "attaining age sixty-five," the following: "and 1 per centum of any wages paid him for services which constitute employment by virtue of subsection (o) of section 209 of the Social Security Act, as amended,".

(c) The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

SEC. 2. (a) Section 222 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by inserting before the period at the end thereof a semicolon and the following: "and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable".

(b) Whenever the Administrator, War Shipping Administration, finds that, on or after October 1, 1941, and before thirty days after the date of enactment of this subsection, a master, officer, or member of the crew of, or any persons transported on, a vessel owned by or chartered to the Maritime Commission or the

War Shipping Administration or operated by or for the account of or at the direction of the Commission or the Administration, has suffered death, injury, detention, or other casualty, for which the War Shipping Administration would be authorized to provide insurance under Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended by this Act, the Administrator may declare that such death, injury, detention, or other casualty, shall be deemed and considered to be covered by such insurance at the time of the disaster or accident, if the Administrator finds that such action is required to make equitable provision for loss or injury related to the war effort and not otherwise adequately provided for: *Provided*, That in making provision for insurance under this subsection the Administrator shall not provide for payments in excess of those generally provided for in comparable cases under insurance hereafter furnished under the said Subtitle—Insurance of Title II, as amended: *Provided further*, That any money paid to any person by reason of insurance provided for under this subsection shall apply in pro tanto satisfaction of the claim of such person against the United States arising from the same loss or injury. The declarations, findings, and actions of or by the Administrator under this subsection shall be final and conclusive and shall not be reviewed by any person, tribunal, or governmental agency.

SEC. 3. (a) The second proviso of section 1 of the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), as amended, is hereby amended to read as follows: "*Provided, further*, That such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to January 1, 1943, or within six months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(b) The Administrator, War Shipping Administration, may determine at any time prior to the payment in full or deposit in full with the Treasurer of the United States, or the payment or deposit of 75 per centum, of just compensation therefor that the ownership of any vessel (the title to which has been requisitioned pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the Act of June 6, 1941 (Public 101, Seventy-seventh Congress)), is not required by the United States, and after such determination has been made and notice thereof has been published in the Federal Register, the use rather than the title to such vessel shall be deemed to have been requisitioned for all purposes as of the date of the original taking.

(c) In the event that a vessel the title or use and possession of which is requisitioned or taken pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the Act of June 6, 1941 (Public 101, Seventy-seventh Congress), is in the custody of any court, State or Federal, it shall be the duty of all agents and officers of the court having possession, custody, or control of said vessel, forthwith upon the filing with the clerk of said court of a certified copy of the order of requisitioning or taking, and without further order of the court, to comply with said requisitioning or taking and to permit the representatives of the United States Maritime Commission or the War Shipping Administration, as the case may be, to take possession, custody, and control of said vessel.

(d) Section 902 of the Merchant Marine Act, 1936, as amended, is hereby amended by adding at the end of subsection (d) thereof a paragraph to read as follows:

"The existence of any valid claim by way of mortgage or maritime claim or attachment lien upon such vessel shall not prevent the taking thereof pursuant to this section: *Provided, however*, That in the event any such claim exists the United States Maritime Commission may in its discretion deposit the compensation hereunder, or advances on account thereof, with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to January 1, 1943, or within six months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisitioning or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits In Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(c) (1) The second sentence of section 223 of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by inserting before the period at the end thereof a comma and the following: "but the Commission may allow fair and reasonable compensation to any company authorized to do an insurance business in any State of the United States for servicing insurance written by such company as an underwriting agent for the Commission, and such compensation may include an allowance for expenses reasonably incurred by such agent but such expenses shall not include any commission paid by such agent in excess of 5 per centum of the premiums in respect of such insurance".

(2) The last sentence of such section 223 is amended by striking out the clause in parentheses, and by inserting before the period at the end of such sentence a comma and the following: "but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 per centum of the premiums paid for that portion of the direct insurance so reinsured".

(f) Section 224 (a) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by inserting after the word "subtitle" and before the comma following such word the words "or in section 10 of the Merchant Marine Act, 1920, as amended".

(g) Section 225 of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by adding at the end thereof the following: "All persons having or claiming to have an interest in such insurance, or who it is believed might assert such an interest, may be made parties to such suit, either initially or upon the motion of either party. In any case where the Commission acknowledges the indebtedness of the United States on account of such insurance, and there may be a dispute as to the person or persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against the persons having or claiming to have any interest in such insurance, or who it is believed might assert such an interest, in the District Court of the United States for the District of Columbia, or in the district court in and for the district in which any such person resides. In either of such actions any person claiming to have an interest in such insurance, or who it is believed might assert such an interest, if not an inhabitant of or found within the district within which either of such actions is brought, may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct, and if it be shown to the satisfaction of the court that persons unknown might assert a claim on account of such insurance, the court may direct service upon such persons unknown by publication in the Federal Register. Judgment in any such action shall discharge the United States from further liability to any parties to such action, and to all persons where service by publication upon persons unknown

is directed by the court. The procedure herein provided shall apply to all actions now pending against the United States under the provisions of this subtitle, as amended."

(h) Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by adding at the end thereof a section to read as follows:

"SEC. 229. In addition to the insurance functions authorized by the other sections of this subtitle, the War Shipping Administration may insure directly, or may reinsure in whole or in part any company authorized to do business in any State in the United States and which shall insure directly, any person who shall perform services or provide facilities for or with respect to any public or private vessel against legal liabilities (except liability to employees in respect of employer's liability and workmen's compensation) that may be incurred by such person in connection with the performance of such services or the providing of such facilities, whenever in the opinion of the Administrator, War Shipping Administration, such insurance or reinsurance is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do an insurance business in any State of the United States."

(i) The clause in parentheses in the first sentence of section 3 (b) of the Act of June 6, 1941, as amended (Public Law 101, Seventy-seventh Congress), is amended to read as follows: "(including any interest or liability of the owner, charterer, or agent)".

(j) The second sentence of section 4 of such Act of June 6, 1941, is amended by inserting after the words "national defense" and before the semicolon a comma and the following: "and when so chartered or operated may be insured as provided in said section 3".

SEC. 4. The United States shall, with respect to vessels owned by or chartered to the War Shipping Administrator under bareboat charter or time charter or operated directly by such Administrator or for his account, be entitled to the benefits of all exemptions and of all limitations of liability accorded by law to the owners of vessels. With respect to any such vessel, the term "the United States" shall include agents or other persons acting for or on behalf of the Administrator in connection with the operation thereof.

SEC. 5. The provisions of section 1 (a) of this Act shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue, and may be enforced in the same manner as if such provisions had not terminated.

The amendments which would be made in the bill by the committee substitute are explained in the discussion of the provisions of the respective sections.

GENERAL STATEMENT

WARTIME CONTROL OF THE MERCHANT MARINE

This legislation must be considered in the light of the tremendous scope and magnitude of the operations of the War Shipping Administration. The War Shipping Administration is actively engaged in operating what is destined to be the largest merchant marine in the world's history. The size of this fleet and the magnitude of the operation is expected to grow, with acceleration in the shipbuilding program. These operations involve all of the problems and difficulties inherent in steamship operation and related activities, such as insurance, stevedoring, repairs, and maintenance, plus the added complications of wartime operation which superimpose various regulatory and economic functions and other emergency problems.

The action of the President in vesting control over this entire fleet and of all other merchant vessels in the War Shipping Administration

represents the policy of concentrating in one civilian agency full power to control, coordinate, and manage the oceangoing transportation facilities of the Nation.

In addition to its functions as operator of the merchant marine, the War Shipping Administration also performs many other functions in the war effort. Under Public Law 498 (77th Cong.), it has full power to coordinate and centralize control of the forwarding operations of all other Government agencies relative to oceangoing transportation. Under Public Law 173 (77th Cong.), the Administrator has broad power to control the rates, routes, and cargoes of American and foreign shipping through the issuance or withholding of ship warrants. Under Public Law 523 (77th Cong.), the Administrator has very broad power in providing marine and war-risk insurance for vessels and cargoes and seamen. Under section 902 of the Merchant Marine Act, 1936, the Administrator acts as the sole procurement agency for the purchase or charter of merchant vessels required by the armed forces. Under Public Law 101 (77th Cong.), the Administrator has authority to requisition immobilized vessels under foreign flag and to acquire necessary vessels, either domestic or foreign, for operation in the war effort. Under Executive Order No. 9198, the Administrator is charged with the responsibility of training personnel replacement for the American merchant marine.

It has become trite to say that this is a war of transportation, since ocean transportation is a limiting factor which will determine the amount of supplies and number of troops that can be transported to the many theaters of active combat. The functions of the Administrator therefore with respect to the operation and control of the American merchant marine and the coordination of its activities with those of our allies constitute one of the most vital civilian activities of the war effort, if indeed it is not the most vital. The activities are so broad and manifold, and the need for efficient emergency action so great, that the Administrator cannot function with the usual restrictions applicable to Government agencies.

In section 207 of the Merchant Marine Act, 1936, Congress provided that the Maritime Commission may enter into such contracts, upon behalf of the United States, and may make such disbursements as may, in its discretion, be necessary to carry on the activities authorized by this act, or to protect, preserve, or improve the collateral held by the Commission to secure indebtedness, in the same manner that a private corporation may contract within the scope of the authority conferred by its charter. The Administrator, War Shipping Administration, in exercising his functions, duties, and powers operates with like authority under these provisions of the Merchant Marine Act, 1936, and other applicable laws.

The Administrator also performs very important functions in the conduct of the economic phases of our war effort, especially in connection with the battle against inflation. Freight rates established by the Administrator for ocean transportation and the insurance rates charged in connection with the insurance of vessels and cargoes have a direct bearing upon the cost of goods imported to the United States and exported to our allies or friendly governments. Under Public Law 523, Seventy-seventh Congress, the Administration has authority to adjust its insurance rates in order to meet the economic,

strategic, or military considerations of our war effort. Under its general operating authority, the Administrator may adjust his freight rates to conform to the same requirements. Under these powers, the Administrator has made insurance available at noncompensatory rates so as not to interfere with the price ceilings established by the agencies entrusted with the development of economic policy and so as to assist in the maintenance of satisfactory economic and political relations with our allies or friendly neutrals. Noncompensatory freight rates have also been provided where required by our economic or military needs. As a consequence, shippers or consignees of ocean-going cargo are not required to assume the full extraordinary cost of transportation resulting from the war effort. This cost, which largely represents war risk insurance expenditures, extra cost of voyage delays resulting from convoy and black-out operations, the cost of crew bonuses and many other factors, in reality constitutes part of the cost of conducting the war and should properly be borne, at least to a large degree, by the taxpayers as a whole rather than by any group of shippers or consignees.

In addition to its operating and economic functions, the War Shipping Administration has specific control over the allocation of vessels or space therein to all claimants for shipping space. Since the Administration is not itself a claimant for shipping space, it is in a position to administer the various and often conflicting demands upon our inadequate merchant marine with complete impartiality. Under this arrangement no one agency is placed in the untenable position of judging the validity of its own claim for shipping space as against the claim of any other agency or any Allied Government. By use of its power to determine space utilization on all vessels under its control, the Administrator may insist upon and secure mixing of cargoes of the various shipping agencies so as to obtain maximum utilization of the deadweight and cubic capacity of all vessels with resulting economy in ship space. The idea of a single fluid pool of shipping also permits maximum flexibility in the assignment of ships so as to achieve the highest degree of efficiency and utilization of the special characteristics of each vessel in regard to speed, equipment, and other features. It also makes possible more efficient planning of terminal and port activities and permits full utilization of the facilities, managerial skill, and operating technique of established private organizations with resulting increase in efficiency which otherwise would be lost to the war effort.

The Administrator, in the conduct of his duties and functions, makes very extensive use of the private organizations including those engaged in merchant marine insurance and related activities, steamship operators, stevedore, and terminal facilities, freight forwarders, and freight brokers and agents. Special skill, knowledge, and experience are made available in this manner for use in the integrated war effort. This development confirms the wisdom of the congressional policy in the recent years of stimulating and assisting the development of such private merchant marine and insurance facilities at substantial Government cost. The policy has permitted a quick change-over from peacetime to wartime operations of the entire merchant marine without any substantial loss of efficiency or impairment of morale.

The training of seamen represents another extremely important responsibility of the Administrator. Thousands of young men required to operate vessels are now being trained by the Administration. In addition, the Administration is engaged in recruitment campaigns throughout the country to recruit the services of former seamen now engaged in other activities. The personnel acquired through the training and recruitment programs are made available to all American-flag vessels. Pending assignment, such personnel are maintained by the Administration at various "pools" in all principal seaports of the United States and while held in these pools, awaiting assignment, seamen are provided by the Administrator with modest compensation and living allowances. In this manner, effort is being made to solve the difficult manpower problem in this field of our war activity. The Administrator also provides financial assistance to agencies such as the United Seaman's Service for the purpose of securing the use of facilities for the rehabilitation of torpedoed and other deserving seamen.

PARTICULAR PROBLEMS REQUIRING LEGISLATION

There are special problems, particularly those relating to labor, requisitioning, and insurance, as to which it seems desirable, as a matter of policy, notwithstanding the scope of existing statutory authority, to reaffirm and clarify existing authority, and in some cases to extend the powers of the Administrator. It is believed that the bill H. R. 7424 should accomplish these objectives.

The difficulties with which the War Shipping Administration is confronted are very technical in nature but not very broad in scope.

Problems arising out of Government employee status of seamen.—Because of the fact that seamen employed directly by the War Shipping Administration on vessels owned by or bareboat-chartered to it have the status of Government employees, the Administrator has not been able under existing law to carry out entirely his intended policy of maintaining the peacetime status of seamen insofar as seamen's rights to compensation for injuries, and so forth, wage credits toward social security benefits and various other benefits which seamen have enjoyed and to which they are entitled. The purpose of section 1 of the bill is to correct the situation so as to permit the complete extension into this area of the basic policy of maintaining the private status of merchant seamen for the duration of the war. Section 1 deals with the rights and benefits of seamen who are Government employees by virtue of employment through agents of the War Shipping Administration for service on vessels owned by or bareboat-chartered to it. The section does not affect seamen employed on vessels time-chartered to the War Shipping Administration where the vessels are supplied with crews employed by the company from which the vessel is chartered. As to them their status and the status of the Government employees mentioned will be made uniform.

Seamen employed as Government employees on vessels owned by or bareboat-chartered to the War Shipping Administration are sometimes precluded from enforcing against the United States the rights and benefits in case of death, injury, illness, detention, and so on that would be available to them if employed by private employers, except under the Suits in Admiralty Act. If they were private employees, rights to redress for death, injury, or illness could be prosecuted under

the Jones Act and the general maritime law. These same rights may be asserted against the United States as the employer under the Suits in Admiralty Act providing the vessel involved is a merchant vessel. In case of public vessels the seaman must rely upon the Administrator's policy for compensation recognizing contractual liability which this legislation recognizes. Present-day operating conditions often make uncertain whether the vessel is a merchant or a public vessel. As a consequence the aforementioned rights of such seamen are frequently in doubt. In addition to these rights which, at times, are uncertain for the reasons mentioned, the seamen who are employees of the United States probably have rights under the United States Employees' Compensation Act in the event of injury or death. Such compensation benefits are not presently enjoyed by seamen under private employment. Thus vital differences in these rights are made to depend upon whether the seaman happens to be employed aboard a vessel time-chartered to the War Shipping Administration or owned by or bareboat-chartered to the War Shipping Administration. Since seamen constantly change from one vessel to another, their rights for death, injury, or illness also constantly change, depending upon the relationship of the War Shipping Administration to the vessel. This fluctuation and lack of uniformity of rights leads to dependency of vital rights upon chance with a result of confusion and inequities. The bill is designed to remove this confusion and these inequities.

Furthermore, these seamen who are Government employees are theoretically subject to the Civil Service Retirement Act, yet they are actually exempt for the time being because of an Executive order excluding employees engaged in certain types of services. Employees of private companies earn credits toward benefits of the old-age and survivors insurance provisions of the Social Security Act. Under the present laws seamen who are Government employees through employment by the War Shipping Administration do not have rights under either the Civil Service Retirement Act nor is their employment covered under the Social Security Act.

The vessels owned by the War Shipping Administration or under bareboat charter to it are operated by experienced steamship companies as general agents for the Administrator. The agreements between the Administrator and the general agents specifically provide that the general agent shall procure and make available officers and crews for War Shipping Administration vessels "through the usual channels and in accordance with the customary practices of commercial operators and upon the terms and conditions prevailing in the particular service or services in which the vessels are to be operated from time to time."

The intention of this provision is to authorize the general agent to procure his seagoing personnel through his customary channels in cases where the general agent had previously operated under union contracts. This provision also avoids favoritism as to conditions between one general agent and another or as between one union and another.

Shortly after the appointment of the Administrator, he adopted a statement of labor policy in which he specifically provided that "the provisions of the existing collective bargaining agreements be continued and observed unless changed by mutual agreement." Accordingly, the seamen employed by the War Shipping Administration

through its general agents are entitled to all of the contractual rights of seamen on commercial vessels, including overtime compensation, right to settle disputes through arbitration, special bonuses and penalty provisions, and so forth. By this means, there has been preserved existing labor structures which have been built up in a process of experimentation and evolution, and there has been maintained and utilized for the war effort the experience of responsible organizations and leadership. Although employees of the Government, these seamen are paid by the general agents directly in the same manner as payment is made in commercial operations, the funds for such payment having been lodged in bank accounts maintained by the general agents out of revenues received from the operation or from advances made by the Administrator.

Prior to the appointment of the Administrator, the Maritime War Emergency Board had been created by a contract between the employer and unions, known as the statement of principles. The President has designated three individuals to constitute this Board pursuant to this contract. The decisions of this Board, through such agreement, have been adopted by the Administrator. Accordingly, the Administrator, through the adoption of the collective bargaining agreements, and by becoming a signatory to the statement of principles, has bound himself to comply with all the determinations of this Board concerning special compensation to seamen for extra risks arising out of the war effort. It is understood that the Administrator intends to continue to cooperate closely with the Board in this connection and that a revised statement of principles enlarging the jurisdiction of the Board is now being promulgated. It should be noted in this connection that the Board has broad powers to adjust bonuses and special benefits, either prospectively or retroactively, as sound principles of justice and equity may require, and that by binding himself to comply with the Board's determinations, the Administrator has effectively guaranteed to seagoing labor the full benefits, whether prospective or retroactive, of this Board's determinations.

Insurance protection for seamen.—The provisions for broadening the insurance coverage for seamen employed in the American merchant marine are included in section 2 of the bill, which would extend the insurance coverage under the War Risk Insurance Act to comprise ordinary marine risks in addition to war risks, and would make provision for casualties occurring in connection with vessels under the direction or control of the Maritime Commission or the War Shipping Administration during, and immediately preceding, the first months of the war.

Other insurance problems.—Some gaps in the technical coverage of the War Risk Insurance Act with respect to certain classes of vessels, certain types of risk, or certain Government interests, direct or indirect, require remedial attention in the interest of effective conduct of shipping and related activities during the war. Some problems of procedure in the administration and in the conduct of litigation under the War Risk Insurance Act have become apparent and should be remedied in time to avoid serious difficulty. These problems are covered by amendments to the War Risk Insurance Act in section 3 of the bill and are discussed in detail hereinafter under appropriate headings.

Vessel requisition problems.—Various procedural problems have also become apparent in connection with the administration of the ship requisition law, particularly section 902 of the Merchant Marine Act, 1936, as amended, and Public Law 101 of the Seventy-seventh Congress. The amendments to existing law to meet or to remedy these difficulties are also included in section 3 of the bill. The text of various amendments in sections 2 and 3 to insurance and requisition law refer to the Maritime Commission. The authority of the Commission thereunder has been placed in the War Shipping Administration by Executive Order 9054 for the war period. The authority under the amended provisions will therefore be exercised by the War Shipping Administration during that period.

Provisions to clarify and place beyond controversy the right of the Government to limit liability in ship operations conducted for it by agents are made by section 4 of the bill.

SEAMEN AND THE MERCHANT MARINE

Because of the basically important and rather technically complicated aspects of the subject matter covered by the first section of the bill, your committee deem it desirable to submit for the information of the Members of the House a summary of benefits to seamen.

Your committee believe that there should be no delay in taking legislative steps needed for the protection of the merchant seamen. These men have faced hardships, capture, injury, and death in the forefront of the battle with the enemy. Their courage has been high and their spirits unflagging. Many of these men who have had their vessels torpedoed from under them have reached shore only to return to the conflict again. At sea they must constantly be on the alert and face danger and even death every hour of the day and night. No words can be too strong to express the value of their services to the Nation is this war.

A seaman who falls ill or is injured in the service of the ship has, as an incident to his employment and without regard to fault, the right to receive from the shipowner wages and maintenance and cure. The ill or injured seaman gets wages as if he had completed the voyage, and he receives food and lodging (or an equivalent monetary allowance) and treatment at a United States marine hospital. In case of a culpable failure to provide the seaman with adequate maintenance and cure, he has an additional cause of action to recover necessary expenses on account of, and compensation for, the resulting injury.

A seaman privately employed is also entitled to indemnity for injury sustained by reason of the unseaworthiness of the ship or a defect in her appliances or equipment.

All of these rights for which court action lies, although maritime in nature, may be enforced either in Federal or State courts. The suits may be brought in admiralty if the seaman so desires, and may then be in rem. No jury is had in admiralty proceedings.

Since the passage of the Jones Act (1920), a seaman (in addition to the rights just recited) and the personal representative of the seaman where the injury results in death, have, in cases which can be made the subject of a suit in admiralty, rights similar to those given

railroad employees and their personal representatives by the Employer's Liability Act of 1908 and its amendments. The action by the seaman may be brought in either Federal or State courts and, if in the Federal court, may be maintained in admiralty in personam.

In addition to these peacetime remedial provisions, additional benefits for war conditions are now provided to all seamen whether private or Government employees under the decisions of the Maritime War Emergency Board.

Under the decisions of the Board the operator of the vessel is obliged to obtain insurance against loss of life and bodily injury to masters, officers, and crews of vessels, both domestic and foreign, engaged in our trade and war transport. The amount payable for loss of life is $5,000 and in case of specific injuries such as loss of hands, feet, or eyes, and so forth, a stated percentage of the capital sum is payable. In case of total disability the benefit is 2 percent of the principal sum per month during continuance of the disability or until a total of $5,000 has been paid. Payments are made only to the master, officer, or crew member concerned, or in case of death, to the beneficiary designated by the insured seaman, or if no beneficiary is designated, to others as provided in the policy. This insurance covers death or injury resulting from or in connection with capture, seizure, destruction by men-of-war and other warlike operations, including collisions in convoy, hostilities, aerial bombardment, floating or stationary mines, and stray or derelict torpedoes. This insurance may be purchased by the operator from private insurance companies or from the War Shipping Administration. The Administration, with respect to vessels owned or bareboat-chartered by it, also provides insurance coverage in accordance with the decisions of the said Board.

Under decisions of the Board provision is also made for the operator to reimburse seamen for their loss of personal effects. Insurance against this liability may also be purchased by the private operator from private insurance companies or from the Administration.

Upon application, the Administration provides additional insurance for loss of life only, for which insurance a premium is charged the applicant. Such insurance is available for loss of life in amounts from $1,000 to $5,000 per man for periods of 1 to 6 months.

Bonus payments to seamen by the operator are provided by decisions of the Board. Under these decisions voyages are divided into classifications and bonuses, ranging from 40 to 100 percent of the regular monthly rate of compensation, are paid in accordance with such classifications. In addition, port bonuses ranging from $60 to $125 are paid for calls in hazardous areas. In the event of internment of the crew or destruction of the vessel as a result of war risks, wages and allotments are continued until the seaman is returned to the continental United States.

The Provisions of Section 1

Section 1 of the bill as introduced has been amplified and worked out in consultation with the various Government agencies concerned, including the Department of Justice, the Treasury Department, the War Department, the Federal Security Agency, the United States

Employees' Compensation Commission, and the Civil Service Commission. The general policy of section 1 has thus been carefully implemented and clarified.

Under section 1 officers and members of crews employed on vessels by or on behalf of the United States through the War Shipping Administration are, for the purpose of determination of the rights and benefits of such seamen and their dependents or beneficiaries, referred to those provisions of statutory and general maritime law which are applicable to seamen in private employment. All seamen are included in such provision without regard to their nationality or the flag of the vessel on which they are serving so long as their employment is by or on behalf of the United States through the War Shipping Administration. Their rights and benefits with respect to the matters specified are to be determined under law which is applicable to citizens of the United States employed as seamen on privately owned and operated American vessels.

OLD-AGE AND SURVIVORS' INSURANCE BENEFITS

Such seamen will have the benefits of and be subject to the provisions of the laws relating to seamen administered by the Public Health Service and their employment will be treated as private employment under provisions of the social-security laws relating to old-age and survivors' insurance benefits and the taxes in connection therewith under the Federal Insurance Contributions Act. These specific amendments necessary to implement this policy with respect to old-age benefits are found in subsection (b) of section 1 as proposed to be amended by the committee. Under these amendments, coverage under the old-age benefits would be retroactive in respect of Government service performed on or after October 1, 1941, subject to adjustment where a seaman had employment after October 1, 1941, and prior to the date of enactment of the measure and such seaman has not paid up the employee's tax for such period. However, in some cases employer's tax and deductions of employee's tax have been made during this past period notwithstanding the fact that such employment was not technically subject to coverage under the old-age and survivors' benefits title of the Social Security Act and the corresponding tax law. The retroactive provisions will confirm such past payments and deductions and provide for uniform application of the law not only for the future but during the transition period. In view of the interchange of seamen between time-chartered vessels on which they are private employees and bareboated or owned vessels on which the seamen become employees of the United States, it seems administratively desirable, as well as in accord with the wishes of the seamen themselves, that the right to old-age and survivors' insurance benefits should be made continuous notwithstanding temporary service from time to time as Government employees.

CIVIL SERVICE RETIREMENT ACT

As previously explained, Government employees of the War Shipping Administration earn no protection under existing law and regulations, of the nature provided in the Civil Service Retirement Act. However, to avoid any confusion on this matter, section 1

expressly sets forth that such employees of the United States through the War Shipping Administration are not officers or employees of the United States for the purposes of the Civil Service Retirement Act.

CLAIMS AND SUITS THEREON ON ACCOUNT OF DEATH OR INJURY

The various rights and remedies under statute and general maritime law with respect to death, injury, illness, and other casualty to seamen, have been rather fully set forth hereinabove. Under clause 2 of section 1 (a) these substantive rights would be governed by existing law relating to privately employed seamen. The only modification thereof arises from the remedial provision that they shall be enforced in accordance with the provisions of the Suits in Admiralty Act. This procedure is appropriate in view of the fact that the suits will be against the Government of the United States. In such a suit no provision is made for a jury trial as may otherwise be had in a proceeding such as one under the Jones Act for reasons set forth in the letter of the Attorney General (September 14, 1942). The provision of the Suits in Admiralty Act that suit lies thereunder only if the ship involved is employed as a merchant vessel or a tugboat is waived for the purposes of section 1 so that the claim may be enforced regardless of the nature of the vessel on which the seaman is serving as an employee of the War Shipping Administration. To prevent unnecessary or premature litigation against the United States, it is required that before suit there shall be an administrative disallowance of the same in accord with rules or regulations to be prescribed by the Administrator, War Shipping Administration.

Other claims under clauses 2 and 3, such as claims for maintenance and cure, collection of wages and bonuses, and making of allotments, shall also be enforced under the Suits in Admiralty Act. Inasmuch as the benefits referred to in clause 1 of subsection (a), that is Public Health Service care and the social-security benefits (under the amendments in section 1 (b) (2)), are benefits administered by Government agencies, it is provided that such claims shall be enforced only in accordance with existing applicable law.

Special provision is made with respect to rights and with respect to claims and causes involved in section 1 (a) (2) and (3) which may have accrued on or after October 1, 1941, and prior to the date of enactment of the measure. Under this provision the seaman or other claimant may elect to enforce the claim as if section 1 had been in effect at the time the claim accrued. In exercising this option the claimant would, of course, accept the incidental consequences of such election, would be prevented from proceeding to secure double recovery under other procedure without regard to section 1, and would be bound by the applicable statutes or principles of limitations.

Inasmuch as certain vessel operations on account of the Government were undertaken prior to the establishment of the War Shipping Administration by or through the Maritime Commission, the provisions of section 1 and all amendments therein are made applicable to the United States Maritime Commission with respect to the period beginning October 1, 1941, to the time of taking office of the Administrator, War Shipping Administration (February 11, 1942).

To avoid administrative confusion and uncertainty as to the exact status of employment of seamen employed on War Shipping Administration vessels, it is provided that seamen employed through that agency shall be included under the provisions of section 1 even though the seamen may be employed on a vessel chartered or made available to another department or agency of the United States for purposes of convenience in the war effort.

It has also been the fixed policy of the War Shipping Administration as far as possible to treat claims for injury, illness, death, and so forth, relating to seamen who are employed aboard vessels that might be classified technically as public vessels in the same manner as such claims relating to seamen who are employed aboard merchant vessels are treated. At the time they accept employment aboard a vessel, seamen, of course, are not in possession of necessary information or knowledge to determine whether the vessel is technically a merchant vessel or a public vessel. Furthermore, in view of the niceties of this legal question, it would be unreasonable to expect that they would be able to make such a determination even if they were in possession of such information and knowledge. Accordingly, these seamen expect that they will have the same substantive rights in the event of injury, illness, death, and so forth, irrespective of whether the vessel is a merchant vessel or technically is a public vessel. The War Shipping Administration has recognized this understanding on the part of the seamen and has treated the same as being included in the contract of employment. In discharge of this contractual obligation the Administration has properly adjusted claims with respect to seamen who have suffered injury, illness, or death aboard vessels that might be technically classified as public vessels in the same manner as if such seamen were employed aboard merchant vessels.

United States Employees' Compensation Act

Seamen covered by section 1 being entitled thereunder to the rights provided under the Jones Act and the general maritime law and to the remedies under the Suits in Admiralty Act, would be expressly excluded from the benefits which otherwise would accrue to them as employees of the United States under the United States Employees' Compensation Act. This provision carries out the basic policy of section 1 under which seamen employed through the War Shipping Administration, though technically Government employees, have their rights determined as if they were in private employment under the applicable statutes and law. This is in conformity with the views and desires of seamen in general as expressed through their representatives.

In view of the uncertainties inherent in the war effort with respect to ship operations and the problems connected therewith and in order to avoid what might turn out to be too inflexible a policy, the committee have recommended the addition of a provision which would place it in the power of the President, when he finds that the efficient prosecution of the war requires it, to extend the application of the United States Employees' Compensation Act to seamen employed through the War Shipping Administration and, in such event, to provide that the rights and remedies given or clarified by the section in lieu thereof shall be reduced or set aside as the President may find necessary to avoid duplication of benefits.

DUPLICATION OF BENEFITS

It should be borne in mind that it is the spirit and intent of section 1 to avoid possibilities of double recovery which might otherwise arise if a seaman pursued his rights under section 1 and then attempted to pursue comparable rights or such recovery for the same or similar events under other law or provision, and on the other hand, which might arise with respect to retroactive rights which the claimant elects to pursue as if section 1 was in effect at the time of accrual of the claim.

The effect of this legislation is to eliminate the danger that seamen may recover both against the Federal employees' compensation fund and under his statutory or common-law remedies for the same injury. Such double recovery has been avoided in the past by administrative and judicial action which this legislation will serve to confirm. This legislation, however, does not eliminate danger of double recovery in connection with payments made under benefits provided by decrees of the Maritime War Emergency Board in all cases. The committee understands that that Board is giving consideration to and will undertake to adopt appropriate safeguards so that duplicate payment of benefits to seamen for the same injury or casualty through the operation of their benefits and through the benefits provided for under this legislation will be avoided.

It is in line with the policy of avoiding confusion and duplication that specific reference is made for the exclusion of seamen employees of the United States from the benefits of Public Law 490. This law provides for the continuance of pay and allowances in case of missing or interned civilian officers or employees of the United States and might be construed to include seamen employed by the War Shipping Administration. Decisions of the Maritime War Emergency Board extend similar rights and benefits to seamen serving aboard United States flag vessels of the American merchant marine, and hence if benefits were extended under Public Law 490 there would be a duplication of comparable benefits for similar circumstances.

With respect to seamen on foreign-flag vessels, the remedy provided by this legislation is of course in substitution for remedies that might exist under the laws of a country in which the vessel may be documented, and seamen proceeding under this section by such choice of remedies will have waived benefits under laws of any other country that might otherwise be available.

Suggestions have been made that the National Labor Relations Act be made applicable to seamen, notwithstanding the fact that seamen employed by the Government would not be entitled to benefits under that act. The committee understands that it is the intention of the Administrator of the War Shipping Administration to avail himself of the facilities of the National Labor Relations Board for the purpose of aiding in the maintenance of collective bargaining processes and adjusting problems in such connection when consistent with the prime objective of a vigorous and successful prosecution of the war. Under the Executive order creating the War Shipping Administration, the Administrator has full authority to avail himself of such services, and in view of the expressed attitude in this connection, it seems unnecessary to consider further suggestions for making the National Labor Relations Act specifically applicable to seamen by statute.

The Administrator's proposed solution to this problem would appear to assure seamen the substantial benefits of the National Labor Relations Act without infringing upon the well-established principles that the United States as an employer is not subject to the National Labor Relations Act. The Administrator could avoid subjecting disputes or other problems to the National Labor Relations Board in cases where this might interfere with the effective prosecution of his duties and functions. Accordingly, this solution of the problem seems to make legislative action unnecessary.

WAIVER OF FEDERAL TAX IMMUNITY

The operation of vessels for the account of the United States through the War Shipping Administration raises the general question of immunity from payment of Federal taxes in respect of the operations and activities of the War Shipping Administration in the management of the merchant fleet. The War Shipping Administration has generally the powers of a business or commercial organization in the operation of the fleet, and apparently, under its existing powers, has the right to make the payment of these taxes and to waive governmental immunity. The administrative costs in setting up the immunity from Federal taxation, however, constitute in fact only an additional expense to the United States because the United States collects the taxes in any event. In order to avoid expensive and unnecessary controversy, it seems desirable to expressly provide in the law that the War Shipping Administration shall not be required to assert this immunity from payment of Federal taxes, and subsection (d) of section 1 would expressly provide that the War Shipping Administration and its agents may, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

SECTION 2

Section 2 of the bill covers the matter of providing more complete protection for seamen and their dependents in cases of loss of life or bodily injury to the seamen. Ample insurance protection for risks which are strictly war risks is provided by the War Risk Insurance Act as revised by the act of April 11, 1942 (Public Law 523, 77th Cong.). The committee believes that Congress intended in that act to provide the seamen benefits in cases of death or injury arising in connection with war conditions without the limitations which would follow technical distinction between marine risks and war risks. In order to accomplish this it is necessary to amend the law as provided in section 2 (a) in order to prevent a possible denial of insurance benefits in cases of death and injury from such risks as collisions in convoy, accidents due to running under black-out conditions, and stranding or other accident due to removal of peacetime aids to navigation.

Section 2 (a) of the bill would amend section 222 (f) of the War Risk Insurance Act as to enable the Administrator to provide insurance for the benefit of seamen and their dependents in all cases of death or injury arising from causes engendered out of the war and

limited only in that the risk shall be "marine risks." The effect of the amendment in section 2 (a) would be to authorize the insurance of masters, officers, and members of crews of vessels and other persons transported thereon, against loss of life, personal injury, or enemy detention arising from war risks or marine risks, to the extent that the Administrator determines necessary or desirable.

A new subsection (b) in section 2 covers cases of death or injury of seamen with respect to the period beginning October 1, 1941, and ending with the enactment of the bill. This new subsection would expressly authorize the Administrator to provide insurance benefits in the case of injury, death, or other casualty to seamen on vessels operated by or under the control of the Maritime Commission or the War Shipping Administration during that period.

The Administrator of War Shipping Administration has authority to make retroactive adjustments in wages, bonuses, war-risk-compensation, and other matters covered by determinations of the Maritime War Emergency Board, or otherwise within his powers. It is believed that he also has power to make retroactive provisions for "marine" insurance to cover risks arising out of the war which for humanitarian purposes should be compensated for as war risks rather than marine risks. However, in view of the large amounts involved in this type of retroactive provision of insurance, it is felt desirable that the matter should be covered by an express provision of law. It is intended by this section to cover cases of vessels captured by enemy powers at a time when adequate insurance provision against death, injury, detention, or other war risks had not been provided; vessels which have been lost for reasons unknown or principally because of developments arising from the war; vessels which are only partially insured because of limitations of the insurance market or established practices, and various other special cases where relief is needed to achieve justice and equity.

It appears to the committee to be highly desirable to make retroactive provision for these cases because of the unreasonable hardship on seamen and dependents, which in fact arose from the restricted type of insurance coverage then available, misunderstandings of legal rights, emergencies, or oversights. The Administrator would be authorized to provide such insurance substantially under the circumstances which would be covered in respect of insurance issued under the preceding subsection (a) of section 2, and only if the Administrator finds that such action is required to make equitable provision for such casualty. Any funds paid under retroactive insurance placed in effect under this subsection would be applied in pro tanto satisfaction of claims against the United States arising from the same loss or injury. Determinations and acts of the Administrator under the subsection will be final and conclusive.

REQUISITION OF FOREIGN-FLAG VESSELS (SEC. 3)

Section 3 (a) is intended to improve the administration and operation of the Foreign Vessels Requisition Act (Public Law 101, 77th Cong.). It has been necessary in the administration of section 1 of that law to make deposits "on account of" just compensation for requisitioned vessels before a final determination as to the amount of just compensation for such vessel. American creditors often hold

encumbrances on these vessels which are, of course, owned by foreign citizens. The advance payments place the American lienors and other claimants in a position to proceed with the prosecution of their claims without awaiting the final determination as to just compensation to the owners which may take many months, or even years. The existing law, however, does not expressly provide for such deposits on account and the right to make such payments has been challenged. The amendment in section 3 (a) would confirm the authority to make such payments and avoid controversies concerning them. The amendment would also help to clarify the procedure applicable to the enforcement of claims of the creditors and will expedite collections of claims by American creditors.

REQUISITION OF TITLE TO VESSELS

Section 3 (b) of the proposed committee substitute is desig ied to implement and clarify the operation of section 902 of the Merchant Marine Act, 1936, as amended, and of the act of June 6, 1941, in situations in which, following a requisition of title, it appears that the ownership of the vessel is not required by the United States. Subsection (a) of section 902 of the 1936 act directs that in such a situation the vessel be restored to the owner when its use is terminated, and requires that upon restoration it must be in as good condition as when taken, less ordinary wear and tear, or that an allowance for reconditioning be made. As enacted in 1936, this provision described such a situation as one in which "a vessel [is] taken and used, but not purchased." Since throughout the subsection the words "taken" and "taking" uniformly refer to a requisition of title in contradistinction to a requisition of use, the word "purchased" in the quoted phrase evidently referred to the ultimate consummation of the transaction. The act of August 7, 1939 (53 Stat. 1254, 1255), revised the language to describe the situation as one in which "any property is taken and used under authority of this section, but the ownership thereof is not required by the United States." Thus the present law, although it specifically provides for converting a requisition of title into a requisition of use, does not satisfactorily specify how it is to be determined after a requisition of title that the ownership is not required by the United States, how such a determination is to be manifested, nor whether the determination may still be made after full compensation for the title has been paid. Since section 1 of the act of June 6, 1941 (Public, 101, 77th Cong.), incorporates by reference the compensation provisions of section 902, the problems are the same when a like situation arises after a vessel has been taken pursuant to that act. Consequently, provision made in section 3 (b) would, to clarify these situations, provide that at any time after title has been requisitioned under either act and before payment or deposit in full or payment or deposit of 75 percent of the compensation, the Administrator of the War Shipping Administration may determine that the ownership is not required by the United States; to be effective, notice of the determination must be published in the Federal Register, and when these steps have been taken all legal consequences are the same as though use rather than title has been initially requisitioned.

REQUISITIONED VESSELS IN CUSTODY OF COURT

Another proposed amendment of the law for requisitioning is contained in subsection (c) of section 3 of the committee substitute relating to the procedure in requisition of vessels which are in the custody of either State or Federal courts. The committee amendment provides that in such cases, whether the vessel be taken under section 902 of the 1936 act or the act of June 6, 1941, it shall be the duty of officers of the court having possession or control of the vessel to comply with the requisitioning upon filing with the clerk of the court a certified copy of the order of requisition. The amendment will further require such officials to permit representatives of the requisitioning Government agency, the Maritime Commission, or the War Shipping Administration, to take possession or control of the vessel.

Subsection (d) of section 3 of the proposed committee substitute would clarify the requisitioning procedure under section 902 of the 1936 act in cases where there are valid liens and encumbrances against the requisitioned vessel. Specific provision to cover similar cases was made in section 1 of the act of June 6, 1941, relating to requisition of foreign-flag vessels lying idle in ports of the United States. The 1936 act has no specific provisions of similar nature on this subject, and it seems highly desirable that comparable provisions should be provided in section 902 of the 1936 act to protect lien claimants in cases where American vessels are requisitioned under that act. The proposed amendment authorizes the making of advances on account of just compensation as provided in respect of foreign-flag vessel requisitions in section 3 (a). It further provides for the deposit of compensation with the Treasurer of the United States, the fund to be available for the payment of such compensation, and shall be subject to be applied to the payment of valid mortgage or attachment liens subsisting at the time of requisition. It further provides that the holder of a claim may bring a suit in admiralty not later than 6 months after the first deposit on account of compensation, to secure a determination of the claim.

This amendment would provide a uniform procedure in connection with the deposit of compensation and the enforcement of liens and encumbrances against the vessels out of the compensation fund in similar manner under both the 1936 act and the act of June 6, 1941.

WAR RISK INSURANCE AMENDMENTS

Subsection (e) (1) of section 3 of the proposed committee substitute would amend section 223 of the War Risk Insurance Act to improve the administration of the Insurance Act. It appears that, especially in those cases where the War Shipping Administration provides war risk insurance on cargoes at noncommercial rates in connection with the price-control program of the Office of Price Administration, insurance has been and should be made available through existing commercial channels, by means of appointment of existing insurance companies as underwriting agents for the issuance of direct policies rather than by means of reinsurance. The proposed amendment would confirm this authority by expressly providing for the utilization

of insurance companies as underwriting agents for the Administration, and permit the payment by it of an allowance for expenses, such expenses not to include any commission paid by the agent in excess of 5 percent of the premiums involved. In this connection it may be noted that war risk activities of the War Shipping Administration are likely to be greatly increased by a revision of the "freedom from capture and seizure" clause.

Subsection (e) (2) of section 3 of the committee substitute covers another minor gap in the insurance law. Section 223 of the War Risk Insurance Act now provides that in the case of reinsurance, the allowance for taxes, commissions, overhead, and other customary expenses to the original insurer may not exceed 5 percent of the premium paid. Reinsurance, particularly in the marine field, becomes increasingly necessary, and such reinsurance would embrace an entire field of insurance, not isolated situations. The 5-percent limitation stultifies the use of reinsurance since it is insufficient to cover the cost of doing business by the underwriters requesting reinsurance. The services of such underwriters can be obtained at a very moderate cost and without substantial profit. To make use of their facilities would be in the best interest of the Government. They perform many important functions, including not only the preparation and issuance of the policies but the handling of claims, adjustments, inspections and numerous other activities, which, unless performed by such underwriters, would have to be undertaken by the Government itself. This involves increased expenses, with substantial loss of efficiency. The existing provision seems to have been intended as a prohibition against payment of excessive commissions to brokers and others concerned and the prohibition is contained in the amendment and fortified thereby.

Section 3 (f) of the committee substitute covers another small gap in the insurance law. Under section 224 of the War Risk Insurance Act, other departments and agencies of the United States can procure insurance from the War Shipping Administration to cover war risks and thereby make use of the existing insurance organization in War Shipping Administration. The act, however, does not specifically embrace marine risks. There are cases in which it would be desirable for Government agencies to procure such insurance service for marine risks on vessels in which the United States has an interest. The amendment would provide for this by authorizing departments to procure insurance from the War Shipping Administration as provided for in section 10 of the Merchant Marine Act, 1920, as amended, which authorizes insurance of marine hazards in respect to vessels in which the United States has an interest.

INTERPLEADER IN INSURANCE PROCEEDINGS

Subsection (g) of section 3 of the proposed committee substitute would provide for interpleader proceedings in litigation with respect to war risk insurance, particularly insurance upon the lives of officers and members of crews. In these cases claims of several claimants may be asserted raising conflicting interests. The amendment would permit the determination in a single suit of the rights of all persons in interest. For example, the situation may arise where administrative officers do not acknowledge any indebtedness under a policy but

there is doubt as to which of two or more persons is entitled to collect if an indebtedness has in fact arisen. In other cases the indebtedness of the United States may be acknowledged but there may be such doubt as to who is entitled to collect that it is unsafe for the Government to make payment without a judicial determination. The amendment provides machinery whereby all conflicting claimants would be brought into the litigation, or if necessary, litigation might be initiated through an action in the nature of a bill of interpleader. The failure of potential claimants to assert their claims, or inability to locate actual or potential claimants, or any uncertainty as to identity of claimants would not be permitted to bring about an indefinite postponement of the determination of rights involved. The amendment would provide for the naming of such claimants as parties and services by publication or other form of reasonable notice. The language of the proposed amendment is an adaptation of a provision directed to the same problem in the World War Veterans' Act, 1924, as amended.

OTHER INSURANCE PROVISIONS

Subsection (h)[1] of section 3 of the committee substitute would assist in avoiding delays and uncertainties in connection with the performance of services or the provision of facilities for public or private vessels. Difficulties have been encountered in procuring the necessary insurance protection for companies performing services or providing facilities for vessels, especially in the case of ship repairs. The amendment would authorize the War Shipping Administration to provide such insurance or reinsurance against legal liabilities of such companies in connection with such services and facilities. Such insurance or reinsurance may be provided whenever the Administrator is of the opinion that it is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved and authorized American insurance companies. Such insurance or reinsurance would not be available to cover liabilities to employees with respect to employers' liability or workmen's compensation.

It is believed that under section 10 of the Merchant Marine Act, 1920, the War Shipping Administration has authority to provide insurance for this type in all cases involving vessels in which the Government has an interest. The legislation is therefore in part merely a reaffirmation and clarification of existing law.

Section 3 (i)[2] of the committee substitute is intended to avoid potential difficulty by specifically providing that the insurance powers of the War Shipping Administration include the power to cover the agents as well as the owners or charterers of the vessels. It has always been assumed that the agents do not have a liability which is separate or independent of that of the vessel owner or charterer. However, some recent decisions have given rise to the possibility that some agents may have an independent liability (*Quinn* v. *Southgate Nelson Corporation*, 121 F. (2d) 190 (C. C. A. 2d, 1941), certiorari denied, 314 U. S. 682; *Margaret M. Brady* v. *Roosevelt Steamship Company, Inc.*, 128 F. (2d) 169 (C. C. A. 2d, 1941)). At the present time the War Shipping Administration may provide insurance for the interests of the owners or charterers of the vessels.

[1] Subsec. (i) of H. R. 133; subsec. (h) of H. R. 7424.
[2] Subsecs. (j) and (h) of the bill H. R. 133.

The right to include the interests of agents is not specifically mentioned in the law but is believed to be implied therein. In view of the possibility that agents may have an independent liability it is desirable to amend section 3b of Public, 101, Seventy-seventh Congress, to specifically include agents among those entitled to coverage under the Administration's insurance powers.

Section 3 (j) [2] of the committee substitute is another insurance provision intended to clarify the scope of the Administration's insurance powers. The War Shipping Administration has authority under section 4 of Public, 101, Seventy-seventh Congress, to charter and operate vessels owned, requisitioned, or chartered by it. This authority extends to immobilized vessels taken over under Public, 101, vessels chartered under section 3 (a) of Public, 101, vessels purchased under section 4 of Public, 101, and also vessels requisitioned under section 902 of the Merchant Marine Act, 1936, for title or use, as well as vessels constructed by the Maritime Commission. Provision is made for the insurance of the first three classes of vessels named by section 2 of Public, 101, but it is doubtful that insurance can be provided under that section with respect to vessels in the other classes described. It is clear that the insurance provisions of section 3 (b) should be made as extensive as the operations and charter provisions of section 4. This objective would be carried out by section 3 (j). It is understood that while the War Shipping Administration desires to have this full authority to meet all probable needs, it is not the present intention of the War Shipping Administration, if this amendment were enacted, to cover ordinary marine risks on hulls.

SECTION 4

Section 4 of the bill relates to the technical question of limitation of liability and is intended to eliminate any doubt that may exist as to the right of the United States to limit liability with respect to the vessels operating for its account either as time charter or otherwise. It is the opinion of the War Shipping Administration counsel that the United States is entitled to limit liability with respect to cargo or otherwise in the same manner as owners of commercial vessels. This conclusion, however, has been questioned by some, and the enactment of section 4 would eliminate any doubt. Since cargo is invariably insured, section 4 for all practical purposes is not intended to protect against shippers' claims but against claims of cargo underwriters whose premiums are based on the assumed right of the carrier to limit liability in such cases. The provision is, therefore, entirely equitable to all concerned.

The amendment to this section proposed by the committee is a perfecting amendment making it clear that it would apply to vessels owned by the War Shipping Administration as well as those chartered to the War Shipping Administrator or operated by him or for his account.

In this connection it may be pointed out that the policy of the War Shipping Administration has been to maintain the normal relationship of carrier and shipper with respect to transportation of commercial cargo on vessels owned or controlled by it. This has not been entirely possible in the case of public vessels in view of the limited scope of the Public Vessels Act. In such cases, shippers apparently have no relief

[2] Subsecs. (j) and (h) of the bill H. R. 138.

against the Government on public-vessel shipments under the Suits in Admiralty Act or Public Vessels Act. It is understood that this situation will be cured by modifying the standard form of bill of lading so as to provide, contractually, protection to shippers on this class of vessels comparable with that enjoyed by shippers on merchant vessels.

SECTION 5

Section 5 of this bill is a miscellaneous section setting forth the appropriate effective dates of the various provisions of the bill and with respect to social-security taxes ratifying and confirming the validity of past payments of such taxes.

The committee amendment to this section strikes out the language relating to Federal social-security taxes to conform with the amendments to section 1 of the bill which, when adopted, would cover the entire subject matter of social-security benefits by specific amendments and make these provisions of section 5 unnecessary.

The termination clause in title I of the First War Powers Act, 1941, provides that the title shall terminate 6 months after the end of the war or at such earlier date as the Congress by concurrent resolution or the President may designate.

Reports on the proposed legislation received by your committee from various interested departments follow:

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C., July 30, 1942.

Hon. SCHUYLER O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: This acknowledges your letter of July 24, 1942, requesting my views relative to a bill (H. R. 7424) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

Section 1 of the bill would make applicable to seamen employed by or on behalf of the War Shipping Administration, all the rights, benefits, and immunities that they would have if they were employed on privately owned vessels. It would also expressly provide that such seamen shall not be entitled to any of the benefits or be subject to any of the charges provided for employees of the United States.

Section 2 would amend the law relating to marine insurance in time of war so as to permit the War Shipping Administration to furnish protection to seamen, which would include all marine risks which seamen might encounter in wartime; for example, injuries sustained in collisions in convoy due to black-out conditions.

Section 3 (a) would authorize the War Shipping Administration, prior to making a definite determination of just compensation, to make a deposit with the Treasurer of the United States on account of such just compensation for foreign merchant vessels which it requisitioned.

Under existing law (act of April 1, 1942, Public Law No. 523, sec. 223) the amount of commissions and expenses which may be allowed by the War Shipping Administration to an insurance carrier for commissions and expenses on reinsurance is restricted to a fixed percentage of the premiums. Section 3 (b) of the bill under consideration would remove this restriction so far as expenses are concerned.

Section 3 (c) of the measure would authorize any department or agency of the United States to procure insurance against marine risks on hulls in which the United States has a legal or equitable interest. Sections 3 (d) and (e) would merely clarify certain ambiguities in existing law relating to the insurance of the interest of a general agent for a vessel and the insurance of certain classes of vessels acquired by the War Shipping Administration.

Section 4 would accord to the United States in respect to all vessels under the control of the War Shipping Administration, the same right to limit liability and to receive benefits as is accorded to owners of private vessels.

Section 5 would provide that section 1 of the bill shall remain in force until 6 months after the termination of the war or until such earlier date as the Congress by concurrent resolution or the President by proclamation may designate.

I find no objection to the enactment of the bill.

Sincerely yours,

FRANCIS BIDDLE,
Attorney General.

FEDERAL SECURITY AGENCY,
Washington, August 31, 1942.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of July 24, 1942, requesting a report from this Agency to your committee on H. R. 7424, a bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

This Agency is directly interested only in section 1 of H. R. 7424, which is intended to clarify the status of seamen employed by the War Shipping Administration with respect to their rights and benefits, and to preserve to seamen who, by reason of their employment by the War Shipping Administration, might become employees of the United States, those rights and benefits to which they would be entitled if they were employed on privately owned and operated vessels. This Agency is in complete agreement with this objective. It is currently carrying on three major programs which are of direct benefit to merchant seamen: the old-age and survivors' insurance program of the Social Security Board, medical relief benefits provided by the Public Health Service, and vocational rehabilitation administered by the Office of Education.

As a matter of general policy, this Agency is opposed to the extension of Social Security Act coverage to particular groups of employees within a larger category of employment. However, it is highly desirable that employees who do not change jobs shall not pass from private employment to Federal employment and back again, and it is felt that the employees of private operators taken over by the Government as a war measure are a special class of Federal employees with special coverage problems. It is further felt that seamen in the employ of the War Shipping Administration are a special group within this category of Government employment. Seamen in private employment obtained coverage 3 years later than other categories of private employees and are not so likely to have attained a "fully insured" status under the program; they have a distinctive vocation which is especially hazardous in the war situation and, therefore, are in special need of the benefits of old-age and survivors' insurance coverage; and they are less apt to shift from their special category of employment to other wartime Government employment to which coverage has not yet been extended.

For these reasons, while it would prefer legislation which would extend coverage to all employment taken over from private employers as a temporary war measure, the Agency is in favor of the enactment of legislation which would extend coverage under the old-age and survivors' insurance program to seamen who are in the employ of the War Shipping Administration.

There are, however, numerous technical questions involving the mechanism for achieving the policy described above. The existing draft suggests a number of serious drafting problems which we would like to discuss with the Bureau of Internal Revenue and other agencies interested in the administration of the social-security system before presenting proposed language revisions. If the committee intends to report the bill favorably, we shall be glad to make available to it such suggestions with respect to language.

Medical relief benefits are provided by the Public Health Service under existing law and regulations to merchant seamen on vessels documented under the laws of the United States, to seamen on vessels of the United States Government of more than 5 tons' burden, and to seamen on foreign vessels subject to a charge to be paid by the master of the foreign vessel. This Agency agrees that there should be available to all seamen employed by the War Shipping Administration the medical relief afforded by the Public Health Service. It is recommended that section 1 be revised to avoid the possibility that seamen on ships under foreign registry and chartered by the War Shipping Administration may be considered as having the status of seamen on foreign ships rather than that of seamen on ships of the United States Government.

The proposed legislation contemplates that disabled seamen may be compensated by administrative action or by recovery under the Suits in Admiralty Act. It is important that administrative procedures be established for the prompt referral of those who are eligible for vocational rehabilitation. It would seem advisable, therefore, to consider including in this legislation a specific legislative basis for making arrangements by which the name and address of each seaman to whom compensation is awarded by either method may be forwarded, with the relevant medical information, to the appropriate Board of Vocational Education.

The Agency is in favor of the objectives of section 2 of the proposed legislation which broadens the insurance provisions of the Merchant Marine Act with respect to seamen. However, no recommendation is made with respect to this section or the exclusion of seamen by section 1 from the benefits of the United States Employees' Compensation Act. These matters are beyond the scope of the Agency's administrative responsibility.

This Agency is in favor of the enactment of legislation which would accomplish the objectives of section 1 of H. R. 7424.

The Bureau of the Budget advises that there is no objection to the submission of this report to your committee.

Sincerely yours,

WATSON B. MILLER,
Acting Administrator.

UNITED STATES EMPLOYEES' COMPENSATION COMMISSION,
New York, N. Y., July 31, 1942.

Hon. SCHUYLER O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: The Commission has received your letter of July 24, 1942, transmitting copy of the bill (H. R. 7424) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, with request for the views and recommendations of the Commission with respect to this proposed legislation.

The only part of the bill with respect to which the Commission is in a position to make any comment is that part relating to benefits and remedies for seamen employed by or on behalf of the United States through the War Shipping Administration, or agents or other persons acting for or on behalf of that Administration. It appears from information received by the Commission that the employment arrangement, with respect to seamen engaged upon vessels operated by or for the War Shipping Administration, is such as to give seamen upon such vessels status as civil employees of the United States. As such, they or their dependents would be entitled to receive the full protection entitled to workmen under the Federal Employees' Compensation Act, administered by this Commission, in case of injury or death occuring while in the course of their employment, irrespective of the fault of the employee or the negligence of the employer. During the last war, and subsequent thereto, employees aboard vessels operated by or for the Emergency Fleet Corporation and the former United States Shipping Board, where employment relationships with the United States existed, were afforded protection under the Federal Employees' Compensation Act.

The bill, H. R. 7424, however, in effect provides that seamen employed by or on behalf of the United States, through the War Shipping Administration, shall not be entitled to any workmen's compensation benefits provided for Federal employees. The bill proposes that they shall have "all of the rights, benefits, exemptions, privileges, and liabilities of seamen employed on privately owned and operated American vessels," "with respect to (1) death, injuries, illness, loss of effects, detention, or repatriation, or claims arising therefrom; (2) the Federal social-security laws and Federal employment-tax laws; and (3) allotments." Some of the rights, benefits, privileges, etc., referred to above, are not statutory, and apparently have merely a contractual basis, the extent of benefits presumably depending upon what any particular contract may contain (and to that extent apparently making it difficult, if not impossible, to give an acceptable or uniform meaning to the terms "benefits," "privileges," etc., referred to.)

The Commission is not certain as to the persons who are intended to be affected by section 1 of the bill, H. R. 7424. It apparently is intended to relate to seamen, yet on lines 4 and 5, page 1, persons other than seamen would seem to be included. This arises because of the phrase "or agents or other persons acting for or on behalf of the War Shipping Administration." If other than seamen should be

included, the remainder of section 1 becomes difficult to apply, as the rights and remedies referred to are those of seamen. Also this "or" inclusion might possibly be construed to bring under the measure certain civilian employees of the United States, employed by the War Shipping Administration or possibly some other agency, who may not be employed as seamen. This result obviously is not intended and proper language revision should be made. Otherwise many incongruous situations would result.

Apparently the purpose of the proposed legislation is to place seamen in the same relative position, while employed by the United States, as they were when engaged in private employment, so far as the right to damages and remedies for injury or death are concerned. Such rights heretofore existing under admiralty law and by statute were (1) the right to maintenance and cure, with respect to disability incurred while in the ship's service—an ancient right which exists regardless of any question of negligence of the employer as to the cause of disability, under which a seaman may receive hospitalization, medical care, and maintenance for a period of temporary disability, the period to some extent being arbitrarily determined, but not for any long duration; the right to sue the employer in a negligence action under the so-called Jones Act (title 46 U. S. C., sec. 688), which is a very similar law to the Federal Employers' Liability Act relating to railroad employees; (3) the right of dependents to sue on account of death on the high seas by wrongful act (title 46 U. S. C., sec. 761); and (4) the right under the general admiralty law to sue for injuries sustained because of the unseaworthiness of a vessel. Under the Suits in Admiralty Act of March 9, 1920, an action (accruing by reason of negligence maintainable on any basis above mentioned) may be filed against the United States, provided the vessel upon which the person was injured was employed as a merchant vessel (title 46, U. S. C., sec. 742).

It is the Commission's understanding of the proposed legislation that its application is to be limited to seamen employed by or on behalf of the War Shipping Administration, and that the rights heretofore long enjoyed by seamen in other Federal services, who have acquired status as civil employees of the United States, will not be disturbed or affected. In this connection it may be pointed out that in services such as the Army Transport Service, seamen have been employed directly as civil employees of the United States and for many years have received the protection of the Federal Employees' Compensation Act.

As to seamen in the Army Transport Service, it should be noted that the protection afforded by the Federal Employees' Compensation Act as far greater than that contemplated for seamen by the bill H. R. 7424. The bill apparently would merely provide a basis for recovery of damages for injury or death only in the very limited class of cases where the employer was negligent. Negligence of the employer or contributory negligence or fault of the employee is not a factor in determining the payment of workmen's compensation benefits, and employees and dependents receive the same protection in all injury or death cases, whether or not the employer was at fault. This is particularly important at the present time to seamen who have long qualified as Federal employees, because of the greater hazards to which such seamen are presently exposed. According to the public press, due to enemy attacks great loss of life and severe injuries are suffered by American seamen, which obviously far exceed the loss of life and injuries due to normal maritime operations. Against such perils, as well as normal industrial injuries, these Federal seamen are presently fully protected by the Federal Employees' Compensation Act. Should they be included in the present measure it would mean substantial loss of protection, as it would require them in every case to prove negligence of the employer before recovery of damages could be had, a burden which they do not have under the compensation law. Furthermore, as injury or death due to enemy action would not be due to negligence of the employer, no possibility of recovery damages would exist for the greatest perils they encounter. Moreover, their suits would be subject (under the Suits in Admiralty Act) to the provisions limiting the employer's liability to the value of the vessel (which, if lost, would have no value).

We do not believe that the present bill intends to disturb the protection heretofore afforded to such Federal employees; therefore, the Commission recommends the acceptance of the policy that no change shall be made in the bill which would affect the rights of such persons, and, as further assurance that their existing rights will be fully protected, that the committee include in its report a statement of this policy and intention.

The Commission has no comment or suggestion to offer as to the other parts of the proposed legislation, nor does it desire to make any statement relative to

any matter of policy, other than that above mentioned with respect to seamen in other Federal services.

In accordance with your request, four complete copies of this report are herewith enclosed.

Pursuant to Budget Circular No. 390, dated June 1, 1942, the Commission has submitted this report to the Bureau of the Budget, and it has been returned with the advice that there is no objection to the presentation to the appropriate committees of Congress of the views of the Commission as expressed herein.

Very truly yours,

JNO. J. KEEGAN, *Acting Chairman.*

WAR SHIPPING ADMINISTRATION,
Washington, August 31, 1942.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives.

DEAR JUDGE BLAND: You have requested the views of the War Shipping Administration with respect to H. R. 7424, a bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

The War Shipping Administration was established in the Office for Emergency Management of the Executive Office of the President on February 7, 1942, by an Executive order (No. 9054; 7 F. R. 837) issued under the First War Powers Act. The functions and duties of the agency are set forth generally in paragraph 2 of the order. Briefly, these functions are to control the operation, purchase, charter, requisition, use, and allocation of ocean vessels, with certain exceptions, under the flag or control of the United States. The Administrator was vested with all legal authority of the United States Maritime Commission with respect to these matters and was specifically vested with the administration of the pertinent provisions of the Merchant Marine Act, 1936, as amended, and the War Risk Insurance Act, the Foreign Vessels Requisition Act, and the Ship Warrants Act. The last-named acts have recently been extended for the duration of the war, and provision was expressly made to the effect that the authority of the Maritime Commission under the extended laws, insofar as the same relates to functions of the Commission transferred to the Administrator under the said Executive order, are to be performed by the Administrator in conformity with the Executive order. The First War Powers Act, 1941, provides that 6 months after the war all governmental agencies shall exercise the same functions as heretofore or hereafter by law may be provided, notwithstanding any action of the President under title 1 of the said act.

The War Shipping Administration, on April 19, 1942, gave notice of general requisition of all oceangoing vessels, and is now operating as owner or under requisition charters, bare-boat charters, or time charters, most of the merchant marine of the United States. These operations give rise to certain problems which require or make very desirable legislative action in the interests of clarification and effective administration during the war.

NEED FOR LEGISLATION

Various questions have arisen in connection with the benefits and remedies for seamen employed by or on behalf of the War Shipping Administration on vessels owned or bareboat-chartered by it, especially where such employment by the War Shipping Administration gives seamen the status of employees of the United States. The status of these seamen with respect to their rights and benefits should be clarified.

Another problem primarily affecting seamen and their dependents is the need of providing more complete protection to seamen and dependents in case of loss of life or bodily injury. The War Risk Insurance Act, which was revised on April 11, 1942 (Public, 523, 77th Cong.), provides insurance protection for strictly war risks. This act does not cover certain marine risks such as collisions in convoy, collisions due to running under black-out conditions, and stranding due to removal of peacetime aids to navigation, which, while not strictly "war risks" arise out of conditions engendered by the war.

The authority of War Shipping Administration to provide insurance under Public, 101, Seventy-seventh Congress, is not commensurate with the needs of the

War Shipping Administration to protect interests in vessels owned or controlled by it. The War Shipping Administration, for example, is unable properly to protect its general agents in respect of the operation of the vessel and it is also unable to provide the necessary insurance protection with respect to vessels owned or controlled by it.

In the course of the proceedings to provide just compensation for requisitioned idle foreign merchant vessels under Public, 101, Seventy-seventh Congress, the War Shipping Administration has made deposits on account of compensation in advance of making any final determination as to the amount thereof, in order to avoid delays in the adjustment of liens and claims involved. Some doubts have been expressed as to the validity of such deposits on account, and Congress may deem it desirable to clarify this point.

The Wartime Insurance Division of the War Shipping Administration has found it necessary to consider the reinsurance of substantially all the risks in given classes of risks. Some adjustment of the possible allowance to underwriters on reinsurance of their business must be made in order to utilize the commercial organizations of the underwriters and adjusters and avoid the expensive alternative of setting up a large organization in the Wartime Insurance Division.

In view of certain special conditions, the Congress may deem it desirable to make an express statutory declaration with respect to the power of the War Shipping Administration to limit its liability as to vessels operated by it directly or under time or bareboat charters or other arrangement. In view of the extensive operations of the Administration, it is believed that such a declaration would avoid uncertainties and unnecessary controversy.

THE PROVISIONS OF THE BILL

Section 1 of the bill provides that seamen employed by or on behalf of the War Shipping Administration would have those rights, benefits, and immunities to which they would be entitled if employed on privately owned and operated vessels, and that they would not, by virtue of their status as Federal employees, become entitled to the benefits generally provided for such employees. The benefits to private seamen would include rights with respect to claims for death, injuries, illness, loss of effects, detention, and repatriation, and wages, maintenance, and cure, and old-age pension benefits. The claims would be enforceable by suit against the United States only under the Suits in Admiralty Act. This section would expressly exclude any benefits under the United States Employees' Compensation Act or the Civil Service Retirement Act.

The section would authorize the War Shipping Administration with respect to seamen employed by or on its behalf to make payments and deductions as an employer under the social-security laws and the Federal employment-tax laws, and any such payments and deductions made for such purpose prior to the enactment of the measure would be confirmed by section 5.

The section further provides that the War Shipping Administration shall not be required to assert immunity from payment of Federal taxes in respect of its operations and activities. The United States collects the taxes in any event and the administrative costs in setting up the immunity from taxation are only an additional expense to the United States. This provision applies only to Federal taxation. Under its existing powers, especially having in mind its powers as a business or commercial organization, the War Shipping Administration does have the right to make payments of these taxes (and waive its immunity), but Congress may deem it desirable to have it expressly so provided in the law.

Section 2 of the bill would amend the War Risk Insurance Act. The War Shipping Administration, under that act, may write insurance covering loss of life of, or bodily injury to, seamen against war risks. Unlike the case of property interests where the combined fields of war-risk insurance and marine insurance afford full protection, there is no such complete insurance coverage in the case of life or limb of seamen. "War risk" coverage does not include many losses arising from war conditions but which are not strictly in the nature of war risks as interpreted by the courts. The doubt as to the extent of coverage comprised within the term "war risk" has been increased by a recent House of Lords decision, which, while perhaps liberal in result, tends to make more uncertain the scope of war-risk coverage. Section 2 would broaden the authority of the War Shipping Administration to furnish protection for seamen so as to cover such navigational risks as collisions in convoy, collisions due to running under black-out conditions, and stranding due to removal of peacetime aids to navigation. These and other dangers to seamen, as a practical matter, result from or are greatly increased

by wartime operation of the merchant marine. The amendment of section 222 (f) would provide general and flexible authority to cover all marine risks of seamen to which war conditions may contribute.

Section 3 (a) of the bill is designed to confirm, and avoid any controversy as to, the authority of the War Shipping Administration to make deposits "on account" of just compensation for requisitioned idle foreign merchant vessels under section 1 of the act of June 6, 1941. It has been necessary to make deposits "on account of" such compensation in advance of making any definite determination with respect to the amount of just compensation, in order that the lienors and other claimants may proceed with the prosecution of their claims at the end of the 6 months without waiting for final determinations (and full deposits), which often cannot be made for many months.

Subsection (b) of the bill would remove the restrictions in section 223 of the subtitle "Insurance of the Merchant Marine Act, 1936, as amended," which limits, by a fixed ratio to premiums, the amount of commissions and expenses which may be allowed by the War Shipping Administration to the insurance carrier on reinsurance with the War Shipping Administration. The section would still require that the allowance to the insurance carrier on account of commissions be limited to 5 percent.

The fixed limit on allowance for expenses on reinsurance of commercial underwriters was sound at the time of its enactment when the reinsurance contemplated was that of specific risks and when only a portion of the underwriter's business was reinsured. The provision is unworkable when it becomes necessary to reinsure an entire class of risks. For example, the problem may become critical in the case of cargo war-risk reinsurance, where it may be necessary to write insurance on a noncommercial level (as provided in the War Risk Insurance Act) in connection with price ceilings fixed by the Price Administrator. Unless this provision is amended, instead of utilizing the existing commercial organization which is well-equipped and trained to do the work involved on the most efficient and economical basis, it would be necessary to set up a very large organization in the War Shipping Administration.

Section 224 of subtitle "Insurance of the Merchant Marine Act, 1936, as amended," enables Government departments to procure under such act necessary insurance protection for war risks, and to make use of the existing insurance organization in the War Shipping Administration. Subsection (c) of the bill would enable departments and agencies to procure insurance service for marine risks on hulls in which the United States has an interest, as described in section 10 of the Merchant Marine Act, 1920, as amended.

The War Shipping Administration is authorized under section 3 (b) of Public 101, Seventy-seventh Congress, to provide insurance and reinsurance with respect to vessels and any interest of the owner or charterer therein. It is the opinion of the War Shipping Administration that the interest of the general agent can be insured under this language, but it may be contended under certain decisions of the courts that a general agent for the vessel might be held liable as an independent contractor with respect to claims arising out of the operation of the vessel. As a safeguard, the proposed amendment in section 3 (d) would authorize protection against this possible liability of a general agent by means of insurance under Public 101 rather than through an indemnity agreement between the agent and the War Shipping Administration as the owner or charterer of the vessel.

While section 3 (b) of Public, 101, clearly authorizes insurance of (*a*) immobilized vessels purchased, chartered, or requisitioned for use under section 1, (*b*) vessels chartered under section 3 (a) and (*c*) vessels purchased under section 4 of Public, 101, it is not clear that insurance can be provided under this section with respect to vessels otherwise acquired by the War Shipping Administration, including, for example, vessels requisitioned under section 902 of the Merchant Marine Act, 1936, for title or use, and vessels constructed by the Commission under various statutes. Provision for the charter or operation of such vessels is made in section 4 of Public, 101, and it is considered that the insurance provisions of section 3 (b) should be made as extensive as the operation and charter provisions of section 4, as provided in section 3 (e) of the bill. Except in unusual situations, it is not the intention of the War Shipping Administration (under this amendment) to cover ordinary marine risks on hulls.

The War Shipping Administration has power to limit its liability as to vessels operated by it directly or under time or bareboat charters or other arrangement. It is operating vessels both directly and under such charters. There is no liability on the agent of the War Shipping Administration under such charters, and it is believed desirable, even though section 4 of the bill may be said to be virtually

a restatement of existing authority, to have an express statutory declaration on this point in order to avoid uncertainties and delays or unnecessary claims especially in view of the fact that only the Administration is liable under the charters in question.

Section 5 of the bill would limit the life of section 1 above considered to the same life as title I of the First War Powers Act of 1941. That act provided that upon termination of said title I (6 months after the termination of the present war or until such earlier time as the Congress by concurrent resolution or the President may designate), all functions, duties, and powers shall be exercised without regard to action of the President under the title (in this case the creation of the War Shipping Administration by Executive order on February 7, 1942). Section 1 would be retroactive in operation so far as social-security payments actually made before the enactment of this measure are concerned. Provision is also made to protect the prosecution and enforcement of any rights and liabilities which accrue, before the termination of section 1, under section 1.

The bill under consideration embodies the policies and purposes with some changes in language of a clarifying or technical nature, of a proposed measure which, together with a proposed report to the Congress thereon, was submitted by the War Shipping Administration to the Director, Bureau of the Budget, for advice as to the relationship of the measure to the program of the President. The Director, Bureau of the Budget, has advised that there would be no objection to the presentation for the consideration of the Congress of a report in consonance with the views of this agency as heretofore submitted to the Director, Bureau of the Budget, including the views of this agency as to the suggestions of other Government agencies.

SUGGESTIONS FROM OTHER AGENCIES

With respect to the suggestions of other agencies, it appears that those of the Attorney General with respect to the measure are embodied in H. R. 7424. The Federal Security Agency has suggested the need for certain technical amendments to section 1 of the bill, particularly with respect to social-security benefits. These amendments are not yet available, but this agency is prepared to cooperate in the drafting thereof in accord with the wishes of the committee. It further appears that the technical suggestions of the United States Employees' Compensation Commission, with respect to the bill, can readily be worked out. The Secretary of War has recommended the addition of three new sections to the bill to be applicable with respect to seamen employed by the Army Transport Service and other branches of the War Department. This agency has informed the Director, Bureau of the Budget, that it has no objection to the submission of the proposed amendments to the Congress for its consideration.

The War Shipping Administration urges prompt enactment of the measure.

Sincerely yours,

E. S. LAND, *Administrator.*

UNITED STATES CIVIL SERVICE COMMISSION,
Washington, D. C., October 2, 1942.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives.

DEAR MR. BLAND: Further reference is made to your communication dated July 24, 1942, transmitting copy of H. R. 7424, a bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, and requesting the comments of the Commission thereon.

The bill would, among other things, exclude from the operation of the Civil Service Retirement Act of May 29, 1930, as amended, all seamen employed by or on behalf of the United States through the War Shipping Administration. In lieu of this coverage, such seamen would be subject to the obligations of and entitled to benefits under the Social Security Act, the same as seamen employed on privately owned and operated American vessels.

The War Shipping Administration was created in the Executive Office of the President by Executive Order No. 9054, dated February 7, 1942. It is, of course, a Federal agency, and officers and employees thereof (except those, if any, excluded by the President because of intermittency or uncertainty of tenure) are automatically subject to the civil-service retirement law as a condition of employment.

This Commission does not believe that employees of the United States appointed by and serving directly under a Federal agency such as the War Shipping Administration should be excluded from Federal retirement coverage and thereby placed in a different category from other employees. However, certain points raised by the War Shipping Administration have been discussed with officials of that Administration and, in the light of the representations made, this office is inclined to agree with their views that existing circumstances warrant a modified opinion. It is, therefore, recommended that the second sentence of section 1 of the bill be modified to read:

"The term 'seamen' as used in this section shall embrace officers and members of crews who, because of the temporary wartime character of their employment by the War Shipping Administration, shall not be considered officers or employees of the United States for the purposes of the Civil Service Retirement Act or the Employees' Compensation Act."

Should this amendment be included as suggested by the War Shipping Administration, the Commission would interpose no objection to the favorable consideration of the proposal.

The Bureau of the Budget advises that there would be no objection to the submission of this report to your committee.

With kind regards, I am

Very sincerely yours,

HARRY B. MITCHELL, *President.*

TREASURY DEPARTMENT,
Washington, October 5, 1942.

Hon. SCHUYLER OTIS BLAND,
Chairman, Committee on the Merchant Marine and Fisheries, House of Representatives.

MY DEAR MR. CHAIRMAN: My attention has been directed to the provisions of H. R. 7424 (77th Cong., 2d sess.) entitled "A bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes."

Among the purposes of the bill appear to be those of providing social-security benefits for seamen employed by the United States through the War Shipping Administration, and of providing for the payment of corresponding employment taxes.

No comment is made herein concerning the policy of making the proposed extension of coverage, which is, of course, a matter primarily for the Congress to determine. If comment upon that policy is desired from an agency in the executive branch of the Government, the Federal Security Agency is the one most directly concerned in advising on that question.

However, the bill, insofar as it affects the Treasury Department, would appear to be subject to certain objections concerning which it is desired to invite your attention.

H. R. 7424 provides in part:

"[SEC. 1.] That all seamen employed by or on behalf of the United States through the War Shipping Administration, or agents or other persons acting for or on behalf of the War Shipping Administration, shall, with respect to * * * (2) the Federal social-security laws and Federal employment-tax laws * * *, have all of the rights, benefits, exemptions, privileges, and liabilities of seamen employed on privately owned and operated American vessels. Such seamen shall not be entitled to any benefits nor be subject to any charges provided for Federal employees under the United States Employees' Compensation Act, as amended, or the Civil Service Retirement Act, as amended. * * * The War Shipping Administration, with respect to seamen employed by it or on its behalf, is hereby authorized to make payments by way of contributions, and to make deductions from wages of such seamen, as if an employer under the Federal social-security laws and Federal employment-tax laws. The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payment of any taxes, fees, charges, or exactions to the United States or its agencies.

* * * * * * *

"SEC. 5. The provisions of section 1 of this act shall take effect on the date of enactment hereof, but payments and deductions under the Federal social-security laws and Federal employment-tax laws of the nature authorized by said section 1 made prior to such date are hereby ratified and confirmed. The provisions of such section 1 shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue and may be enforced in the same manner as if such provisions had not terminated."

Reference is made in section 1, quoted above, to "the Federal social-security laws and Federal employment-tax laws." No liability for taxes is currently incurred under the Social Security Act. The tax-imposing sections of that act were superseded by the Federal Insurance Contributions Act (subch. A, ch. 9, Internal Revenue Code) and the Federal Unemployment Tax Act (subch. C, ch. 9, Internal Revenue Code). The taxes imposed by the two acts referred to in the preceding sentence are denominated "employment taxes." However, other taxes are also called employment taxes—namely, those imposed by subchapter B of chapter 9 of the Internal Revenue Code, which superseded the Carriers' Taxing Act of 1937.

It is believed likely that the only employment taxes which the bill intends be imposed with respect to remuneration of the seamen in question are those imposed by the Federal Insurance Contributions Act. Whatever may be the intent in this respect, this Department considers it desirable that the intent be stated expressly and clearly in the bill as distinguished from the present reference therein to the employment taxes generally.

The benefits correlative with the taxes imposed by the Federal Insurance Contributions Act are the old-age and survivors' insurance benefits and are provided for by title II of the Social Security Act, as amended. Those benefits are administered by the Social Security Board of the Federal Security Agency.

A trust fund, out of which old-age and survivors' insurance benefits are paid, was established and is maintained under the provisions of section 201 of title II of the Social Security Act, as amended. Such section appropriates to the trust fund amounts equivalent to the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act from all employers and employees subject to the provisions of such act.

Section 1 of the bill would authorize, but not require, the War Shipping Administration to pay Federal employment taxes. Since it is apparently intended that corresponding benefits would be paid out of the old-age and survivors' insurance trust fund, the payment by the War Shipping Administration of the tax on employers and the tax on employees imposed by the Federal Insurance Contributions Act should be made mandatory in order that no benefits with respect to employment of any class of individuals shall be payable out of the trust fund without a correlative requirement of payment of taxes with respect to such employment.

Quarterly returns are required of each employer subject to the Federal Insurance Contributions Act. On these returns the employer lists the name and social-security account number of each employee and the amount of wages paid by him to the employee during the quarter. The employer sends to the collector of internal revenue, with the return, both the amount of tax on the employer and the aggregate of the tax on his employees. The tax on employees is collected by the employer by withholding the amount thereof from wages as and when paid. The employer is liable for the tax on employees whether or not he collects it from employees. The portion of the return listing the employees and their respective wages is forwarded to the Social Security Board for use in maintaining a permanent wage record of each employee. It is assumed, though it is not entirely clear, that the bill contemplates that like returns and payments would be made by the War Shipping Administration.

The employer is also required by the act (sec. 1403, Internal Revenue Code) to furnish to each employee written statements showing, among other things, the wages paid by the employer and the amount of the tax on the employee. The status of this requirement is not clear under the bill.

In the interest of certainty as to rights, duties, and liabilities, both of the employees and of the War Shipping Administration, it is preferred by this Department that the intent of the bill with respect to taxes be carried out by direct amendments to the appropriate provisions of the Internal Revenue Code.

If, as stated previously in this letter, it is intended that the taxes imposed by the Federal Insurance Contributions Act (subch. A, ch. 9, Internal Revenue Code) be paid with respect to the wages of the seamen in question, it is suggested that the provisions of that act be amended. Those taxes are measured by "wages" with respect to "employment" as those terms are defined in section 1426. Service performed in the employ of the United States Government is now expressly excluded from "employment." It is believed that the purpose of the bill, insofar as it relates to such taxes, can be accomplished by eliminating the provisions thereof applicable to taxes and by inserting therein a provision substantially as follows:

"Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"'(i) *Seamen employed by War Shipping Administration.*—The term "employment" shall include such service as is determined by the War Shipping Administration to be performed on or in connection with a vessel as an employee of the United States by a seaman employed by the War Shipping Administration or any agent thereof, if performed after ..... and before .....
The War Shipping Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of this subchapter on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection.'"

The foregoing method of covering the seamen for tax purposes would eliminate the objections previously mentioned. The last clause of the first sentence of the suggested section 1426 (i) would eliminate the necessity for legislative ratification of any payments previously made as taxes which is provided in section 5 of the bill. Tax coverage would be effected retroactively by inserting in the first blank in the clause referred to the date which precedes the day on which it is desired that such coverage commence. If it is now possible clearly to prescribe the time when such coverage should cease, the last blank in the clause should be appropriately filled in. The draft quoted above would leave to the War Shipping Administration, rather than to this Department or the Bureau of Internal Revenue, the determination of what individuals are covered, which would seem to be desirable in view of all of the circumstances and particularly in view of the various arrangements under which that Administration provides for the operation of vessels.

If further correspondence relative to this matter is necessary, please refer to IR:A&CRR.

The Director, Bureau of the Budget, has advised the Treasury Department that there is no objection to the presentation of this report.

Very truly yours,

JOHN L. SULLIVAN,
Acting Secretary of the Treasury.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, existing law in which no change is made is in roman, and new language is in italics):

Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) (sec. 1 (b) of the bill):

SEC. 1426. DEFINITIONS.

When used in this subchapter—

(a) WAGES.—The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year;

(2) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including

any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

(3) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 or (B) of any payment required from an employee under a State unemployment compensation law; or

(4) Dismissal payments which the employer is not legally required to make.

(b) EMPLOYMENT.—The term "employment" means any service performed prior to January 1, 1940, which was employment as defined in this section prior to such date, and any service, of whatever nature, performed after December 31, 1939, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel under a contract of service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

(1) Agricultural labor (as defined in subsection (h) of this section);

(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

(3) Casual labor not in the course of the employer's trade or business;

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(5) Service performed on or in connection with a vessel not an American vessel by an employee, if the employee is employed on and in connection with such vessel when outside the United States;

(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the United States, or (B) exempt from the tax imposed by section 1410 by virtue of any other provision of law;

(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410;

(8) Service performed in the employ of a corporation, community chest fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation;

(9) Service performed by an individual as an employee or employee representative as defined in section 1532;

(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101, if—

(i) the remuneration for such service does not exceed $45, or

(ii) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office or is ritualistic service in connection with any such society, order, or association, or

(iii) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university;

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1);

(C) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (i) no part of its net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (ii) 85 per centum or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

(D) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are officers or employees of the United States Government, and (ii) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual;

(E) Service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

(11) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative;

(12) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(13) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(14) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut, for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States); or

(15) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution.

(c) INCLUDED AND EXCLUDED SERVICE.—If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services

performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (9) of subsection (b).

(d) EMPLOYEE.—The term "employee" includes an officer of a corporation.

(e) STATE.—The term "State" includes Alaska, Hawaii, and the District of Columbia.

(f) PERSON.—The term "person" means an individual, a trust or estate, a partnership, or a corporation.

(g) AMERICAN VESSEL.—The term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

(h) AGRICULTURAL LABOR.—The term "agricultural labor" includes all services performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals, reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

(4) In handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but, only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

(i) *OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection.*

Section 209 of the Social Security Act, as amended (U. S. C., title 42, sec. 409) (sec. 1 (b) (2) of the bill):

DEFINITIONS

SEC. 209. When used in this title—

(a) The term "wages" means all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include—

(1) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year prior to 1940, is paid to such individual by such employer with respect to employment during such calendar year;

(2) That part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual with respect to employment during any calendar year after 1939, is paid to such individual with respect to employment during such calendar year;

(3) The amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund, to provide for any such payment), on account of (A) retirement, or (B) sickness or accident disability, or (C) medical and hospitalization expenses in connection with sickness or accident disability, or (D) death, provided the employee (i) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (ii) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

(4) The payment by an employer (without deduction from the remuneration of the employee) (A) of the tax imposed upon an employee under section 1400 of the Internal Revenue Code or (B) of any payment required from an employee under a State unemployment compensation law;

(5) Dismissal payments which the employer is not legally required to make; or

(6) Any remuneration paid to an individual prior to January 1, 1937.

(b) The term "employment" means any service performed after December 31, 1936, and prior to January 1, 1940, which was employment as defined in section 210 (b) of the Social Security Act prior to January 1, 1940 (except service performed by an individual after he attained the age of sixty-five if performed prior to January 1, 1939), and any service, of whatever nature, performed after December 31, 1939, by an employee for the person employing him, irrespective of the citizenship or residence of either, (A) within the United States, or (B) on or in connection with an American vessel under a contract or service which is entered into within the United States or during the performance of which the vessel touches at a port in the United States, if the employee is employed on and in connection with such vessel when outside the United States, except—

(1) Agricultural labor (as defined in subsection (1) of this section);

(2) Domestic service in a private home, local college club, or local chapter of a college fraternity or sorority;

(3) Casual labor not in the course of the employer's trade or business;

(4) Service performed by an individual in the employ of his son, daughter, or spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

(5) Service performed on or in connection with a vessel not an American vessel by an employee, if the employee is employed on and in connection with such vessel when outside the United States;

(6) Service performed in the employ of the United States Government, or of an instrumentality of the United States which is (A) wholly owned by the

United States, or (B) exempt from the tax imposed by section 1410 of the Internal Revenue Code by virtue of any other provision of law;

(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned by one or more States or political subdivisions; and any service performed in the employ of any instrumentality of one or more States or political subdivisions to the extent that the instrumentality is, with respect to such service, immune under the Constitution of the United States from the tax imposed by section 1410 of the Internal Revenue Code;

(8) Service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to influence legislation;

(9) Service performed by an individual as an employee or employee representative as defined in section 1532 of the Internal Revenue Code;

(10) (A) Service performed in any calendar quarter in the employ of any organization exempt from income tax under section 101 of the Internal Revenue Code, if—

(i) the remuneration for such service does not exceed $45, or

(ii) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office, or is ritualistic service in connection with any such society, order, or association, or

(iii) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university;

(B) Service performed in the employ of an agricultural or horticultural organization exempt from income tax under section 101 (1) of the Internal Revenue Code:

(C) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents, if (i) no part of its net earnings inures (other than through such payments) to the benefit of any private shareholder or individual, and (ii) 85 per centum or more of the income consists of amounts collected from members for the sole purpose of making such payments and meeting expenses;

(D) Service performed in the employ of a voluntary employees' beneficiary association providing for the payment of life, sick, accident, or other benefits to the members of such association or their dependents or their designated beneficiaries, if (i) admission to membership in such association is limited to individuals who are officers or employees of the United States Government, and (ii) no part of the net earnings of such association inures (other than through such payments) to the benefit of any private shareholder or individual;

(E) Service performed in any calendar quarter in the employ of a school, college, or university, not exempt from income tax under section 101 of the Internal Revenue Code, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university, and the remuneration for such service does not exceed $45 (exclusive of room, board, and tuition);

(11) Service performed in the employ of a foreign government (including service as a consular or other officer or employee or a nondiplomatic representative);

(12) Service performed in the employ of an instrumentality wholly owned by a foreign government—

(A) If the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(B) If the Secretary of State shall certify to the Secretary of the Treasury that the foreign government, with respect to whose instrumentality and employees thereof exemption is claimed, grants an equivalent exemption with respect to similar service performed in the foreign country by employees of the United States Government and of instrumentalities thereof;

(13) Service performed as a student nurse in the employ of a hospital or a nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school chartered or approved pursuant to State law; and service performed as an interne in the employ of a hospital by an individual who has completed a four years' course in a medical school chartered or approved pursuant to State law;

(14) Service performed by an individual in (or as an officer or member of the crew of a vessel while it is engaged in) the catching, taking, harvesting, cultivating, or farming of any kind of fish, shellfish, crustacea, sponges, seaweeds, or other aquatic forms of animal and vegetable life (including service performed by any such individual as an ordinary incident to any such activity), except (A) service performed in connection with the catching or taking of salmon or halibut for commercial purposes, and (B) service performed on or in connection with a vessel of more than ten net tons (determined in the manner provided for determining the register tonnage of merchant vessels under the laws of the United States); or

(15) Service performed by an individual under the age of eighteen in the delivery or distribution of newspapers or shopping news, not including delivery or distribution to any point for subsequent delivery or distribution.

(c) If the services performed during one-half or more of any pay period by an employee for the person employing him constitute employment, all the services of such employee for such period shall be deemed to be employment; but if the services performed during more than one-half of any such pay period by an employee for the person employing him do not constitute employment, then none of the services of such employee for such period shall be deemed to be employment. As used in this subsection the term "pay period" means a period (of not more than thirty-one consecutive days) for which a payment of remuneration is ordinarily made to the employee by the person employing him. This subsection shall not be applicable with respect to services performed in a pay period by an employee for the person employing him, where any of such service is excepted by paragraph (9) of subsection (b).

(d) The term "American vessel" means any vessel documented or numbered under the laws of the United States; and includes any vessel which is neither documented or numbered under the laws of the United States nor documented under the laws of any foreign country, if its crew is employed solely by one or more citizens or residents of the United States or corporations organized under the laws of the United States or of any State.

(e) The term "primary insurance benefit" means an amount equal to the sum of the following—

(1) (A) 40 per centum of the amount of an individual's average monthly wage if such average monthly wage does not exceed $50, or (B) if such average monthly wage exceeds $50, 40 per centum of $50, plus 10 per centum of the amount by which such average monthly wage exceeds $50 and does not exceed $250, and

(2) an amount equal to 1 per centum of the amount computed under paragraph (1) multiplied by the number of years in which $200 or more of wages were paid to such individual. Where the primary insurance benefit thus computed is less than $10, such benefit shall be $10.

(f) The term "average monthly wage" means the quotient obtained by dividing the total wages paid an individual before the quarter in which he died or became entitled to receive primary insurance benefits, whichever first occurred, by three times the number of quarters elapsing after 1936 and before such quarter in which he died or became so entitled, excluding any quarter prior to the quarter in which he attained the age of twenty-two during which he was paid less than $50 of wages and any quarter, after the quarter in which he attained age sixty-five, occurring prior to 1939.

(g) The term "fully insured individual" means any individual with respect to whom it appears to the satisfaction of the Board that—

(1) He had not less than one quarter of coverage for each two of the quarters elapsing after 1936, or after the quarter in which he attained the age of twenty-one, whichever quarter is later, and up to but excluding the quarter in which he attained the age of sixty-five, or died, whichever first occurred, and in no case less than six quarters of coverage; or

(2) He had at least forty quarters of coverage.

As used in this subsection, and in subsection (h) of this section, the term "quarter" and the term "calendar quarter" means a period of three calendar months ending on March 31, June 30, September 30, or December 31; and the term "quarter of average" means a calendar quarter in which the individual has been paid not less than $50 in wages. When the number of quarters specified in paragraph (1) of this subsection is an odd number, for purposes of such paragraph such number shall be reduced by one. In any case where an individual has been paid in a calendar year $3,000 or more in wages, each quarter of such year following his first quarter of coverage shall be deemed a quarter of coverage, excepting any quarter in such year in which such individual dies or becomes entitled to a primary insurance benefit and any quarter succeeding such quarter in which he died or became so entitled.

(h) The term "currently insured individual" means any individual with respect to whom it appears to the satisfaction of the Board that he has been paid wages of not less than $50 for each of not less than six of the twelve calendar quarters, immediately preceding the quarter in which he died.

(i) The term "wife" means the wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to January 1, 1939, or if later, prior to the date upon which he attained the age of sixty.

(j) The term "widow" (except when used in section 202 (g)) means the surviving wife of an individual who either (1) is the mother of such individual's son or daughter, or (2) was married to him prior to the beginning of the twelfth month before the month in which he died.

(k) The term "child" (except when used in section 202 (g)) means the child of an individual, and the stepchild of an individual by a marriage contracted prior the the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died, and a child legally adopted by an individual prior to the date upon which he attained the age of sixty and prior to the beginning of the twelfth month before the month in which he died.

(l) The term "agricultural labor" includes all service performed—

(1) On a farm, in the employ of any person, in connection with cultivating the soil, or in connection with raising or harvesting any agricultural or horticultural commodity, including the raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing animals and wildlife.

(2) In the employ of the owner or tenant or other operator of a farm, in connection with the operation, management, conservation, improvement, or maintenance of such farm and its tools and equipment, or in salvaging timber or clearing land of brush and other debris left by a hurricane, if the major part of such service is performed on a farm.

(3) In connection with the production or harvesting of maple sirup or maple sugar or any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the raising or harvesting of mushrooms, or in connection with the hatching of poultry, or in connection with the ginning of cotton, or in connection with the operation or maintenance of ditches, canals reservoirs, or waterways used exclusively for supplying and storing water for farming purposes.

(4) In handling, planting, drying, packing, packaging, processing, freezing, grading, storing, or delivering to storage or to market or to a carrier for transportation to market, any agricultural or horticultural commodity; but only if such service is performed as an incident to ordinary farming operations or, in the case of fruits and vegetables, as an incident to the preparation of such fruits or vegetables for market. The provisions of this paragraph shall not be deemed to be applicable with respect to service performed in connection with commercial canning or commercial freezing or in connection with any agricultural or horticultural commodity after its delivery to a terminal market for distribution for consumption.

As used in this subsection, the term "farm" includes stock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards.

(m) In determining whether an applicant is the wife, widow, child, or parent of a fully insured or currently insured individual for purposes of this title, the Board shall apply such law as would be applied in determining the devolution of intestate personal property by the courts of the State in which such insured individual is domiciled at the time such applicant files application, or, if such insured

individual is dead, by the courts of the State in which he was domiciled at the time of his death, or if such insured individual is or was not so domiciled in any State, by the courts of the District of Columbia. Applicants who according to such law would have the same status relative to taking intestate personal property as a wife, widow, child, or parent shall be deemed such.

(n) A wife shall be deemed to be living with her husband if they are both members of the same household, or she is receiving regular contributions from him toward her support, or he has been ordered by any court to contribute to her support; and a widow shall be deemed to have been living with her husband at the time of his death if they were both members of the same household on the date of his death, or she was receiving regular contributions from him toward her support on such date, or he had been ordered by any court to contribute to her support.

(o) (1) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission.

(2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board, to make certification to it with respect to any matter determinable for the Board by the War Shipping Administrator under this subsection, which the Board finds necessary in administering this title.

(4) This subsection shall be effective as of September 30, 1941.

Section 907 of the Social Security Act Amendments of 1939 (53 Stat. 1402) (sec. 1 (b) (3) of the bill:

SEC. 907. In addition to any other deductions made under section 203 of the Social Security Act, as amended, deductions shall be made from any primary insurance benefit or benefits to which an individual is entitled or from any other insurance benefit payable with respect to such individual's wages until such deductions total 1 per centum of any wages paid him for services performed in 1939, and subsequent to his attaining age sixty-five, *and 1 per centum of any wages paid him for services which constitute employment by virtue of subsection (o) of section 209 of the Social Security Act, as amended,* with respect to which the taxes imposed by section 1400 of the Internal Revenue Code have not been deducted by his employer from his wages or paid by such employer.

The second proviso of section 1 of the act of June 6, 1941 (Public Law 101, Seventy-seventh Congress) (sec. 3 (a) of the bill):

Provided further, That such compensation hereunder, *or advances on account thereof,* shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence *prior to June 30, 1943, or* within six months after the first such deposit with the Treasurer *and publication of notice thereof in the Federal Register, whichever date is later,* and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against

the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, *and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation;* and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction.

Section 902 of the Merchant Marine Act, 1936, as amended (49 Stat. 2015; 53 Stat. 1254) (sec. 3 (d) of the bill):

SEC. 902. (a) Whenever the President shall proclaim that the security of the national defense makes it advisable or during any national emergency declared by proclamation of the President, it shall be lawful for the Commission to requisition or purchase any vessel or other watercraft owned by citizens of the United States, or under construction within the United States, or for any period during such emergency, to requisition or charter the use of any such property. The termination of any emergency so declared shall be announced by a further proclamation by the President. When any such property or the use thereof is so requisitioned the owner thereof shall be paid just compensation for the property taken or for the use of such property, but in no case shall the value of the property taken or used be deemed enhanced by the causes necessitating the taking or use. If any property is taken and used under authority of this section, but the ownership thereof is not required by the United States, such property shall be restored to the owner in a condition at least as good as when taken, less ordinary wear and tear, or the owner shall be paid an amount for reconditioning sufficient to place the property in such condition. The owner shall not be paid for any consequential damages arising from a taking or use of property under authority of this section.

(b) When any vessel is taken or used under authority of this section, upon which vessel a construction-differential subsidy has been allowed and paid, the value of the vessel at the time of its taking shall be determined as provided in section 802 of this Act, and in determining the value of any vessel taken or used, on which a construction-differential subsidy has not been paid, the value of any national defense features previously paid for by the United States shall be excluded.

(c) If any property is taken and used under authority of this section, but the ownership thereof is not required by the United States, the Commission, at the time of the taking or as soon thereafter as the exigencies of the situation may permit, shall transmit to the person entitled to the possession of such property a charter setting forth the terms which, in the Commission's judgment, should govern the relations between the United States and such person and a statement of the rate of hire which, in the Commission's judgment, will be just compensation for the use of such property and for the services required under the terms of such charter. If such person does not execute and deliver such charter and accept such rate of hire, the Commission shall pay to such person on account of just compensation a sum equal to 75 per centum of such rate of hire as the same may from time to time be due under the terms of the charter so tendered, and such person shall be entitled to sue the United States to recover such further sum as added to such 75 per centum will make up such amount as will be just compensation for the use of the property and for the services required in connection with such use. In the event of loss or damage to such property, due to operation of a risk assumed by the United States under the terms of a charter prescribed in this subsection, but no valuation of such vessel or other property or mode of compensation has been agreed to, the United States shall pay just compensation for such loss or damage, to the extent the person entitled thereto is not reimbursed therefor through policies of insurance against such loss or damage.

(d) In all cases, the just compensation authorized by this section shall be determined and paid by the Commission as soon as practicable, but if the amount of just compensation determined by the Commission is unsatisfactory to the person entitled thereto, such person shall be paid 75 per centum of the amount so determined and shall be entitled to sue the United States to recover such further sum as, added to said 75 per centum will make up such amount as will be just compensation therefor, in the manner provided for by section 24, paragraph 20, and section 145 of the Judicial Code (U. S. C., 1934 edition, title 28, secs. 41, 250).

The existence of any valid claim by way of mortgage or maritime claim or attachment lien upon such vessel shall not prevent the taking thereof pursuant to this section: Provided, however, That in the event any such claim exists the United States Maritime Commission may in its discretion deposit such portion of the compensation hereunder, or advances on account thereof, as may equal but not exceed the amount of such claims in respect of the vessel, with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within six months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisitioning or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction.

(e) The Commission is authorized to repair, recondition, reconstruct, and operate, or charter for operation, any property acquired under authority of this section. The Commission is further authorized to transfer the possession or control of any such property to any department or agency of the Government of the United States upon such terms and conditions as may be approved by the President. In case of any such transfer the department or agency to which the transfer is made shall promptly reimburse the Commission for its expenditures on account of just compensation, purchase price, repairs, reconditioning, reconstruction, or charter hire for the property transferred. Such reimbursements shall be deposited in the construction fund established by section 206 of this Act.

Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.) (sec. 3 (e), (f), (g), (h), (i) of the bill):

SUBTITLE—INSURANCE

SEC. 221. (a) Until six months after the termination of the present war is proclaimed or until such earlier date as the President may designate, the Commission is authorized to provide marine insurance and reinsurance against loss or damage by the risks of war and reinsurance against loss or damage by marine risks, as prescribed in this subtitle, whenever it appears to the Commission, that (1) such insurance adequate for the needs of transportation in the water-borne commerce of the United States and its Territories and possessions (including the Philippine Islands, the Canal Zone, and any bases or lands leased or occupied by or on behalf of the United States), or of other transportation by water or other vessel services deemed by the Commission to be in the interest of the war effort or the domestic economy of the United States, cannot be obtained on reasonable terms and conditions from companies authorized to do an insurance business in a State of the United States, or (2) the furnishing by the Commission of such insurance or reinsurance with respect to any such transportation or other vessel services at nominal or other rate basis would be of material benefit to the war effort, or (after consultation with the Office of Price Administration or other agencies) to the domestic economy of the United States, or (after consultation with the Secretary of the Navy or the Secretary of War) is necessary or advisable for military or naval reasons: *Provided*, That there shall be reported on the last day of each calendar month to the chairman of the Committee on Commerce of the United States Senate, and the chairman of the Committee on the Merchant Marine and Fisheries of the House, the insurance or reinsurance written under clause (2) of this subsection (a), during the preceding month, together with the rates and the reasons for such rates and such insurance and reinsurance.

(b) There shall be in the Treasury of the United States a revolving fund to be known as the marine and war-risk insurance fund (hereinafter referred to as the fund), to be used for carrying out the provisions of this subtitle, and to be constituted of such sums as may be appropriated to such fund and of moneys and receipts credited thereto as herein provided. There are hereby authorized to be appropriated to such fund such sums as may be necessary to carry out the provisions of this subtitle. All moneys received from premiums and from salvage or other recoveries, and all receipts in connection with this subtitle, shall be deposited to the credit of such fund. Payments of return premiums, losses, settlements, judgments, and all liabilities incurred by the United States under this subtitle shall be made from such fund.

SEC. 222. The Commission may insure against loss or damage by the risks of war, persons, property, or interests, as follows:

(a) (1) American vessels (including vessels under construction), (2) vessels registered under the law of the Philippine Islands, (3) foreign-flag vessels owned by citizens of the United States (as said term "citizens" is used in Public Law 173, Seventy-seventh Congress, approved July 14, 1941) or owned or controlled by, or made available to, the United States or any department or agency thereof, and (4) any foreign-flag vessel not owned or controlled or made available as described in clause (3) hereof, but engaged in the water-borne foreign commerce of the United States or other transportation by water or other vessel services deemed by the Commission to be in the interest of the war effort or the domestic economy of the United States, while so engaged.

(b) Cargoes shipped or to be shipped on any vessels specified in subsection (a), including shipments by express or registered mail.

(c) The disbursements (including advances to masters and general average disbursements) and freight and passage moneys of such vessels.

(d) The personal effects of the masters, officers, and crews of such vessels, and of other persons transported on such vessels.

(e) Masters, officers, and crews of such vessels and other persons employed or transported thereon against loss of life, personal injury, or detention by an enemy of the United States following capture.

(f) Statutory or contractual obligations or other liabilities of such vessels or of the owner or charterer of such vessels of the nature customarily covered by insurance; *and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable.*

SEC. 223. The Commission may reinsure, in whole or in part, any company authorized to do an insurance business in any State of the United States, on account of marine and marine war risks, including protection and indemnity risks, assumed by any such company, on persons, property, and interests specified in section 222 of this subtitle, and may reinsure with, or cede or retrocede to, any such company any war risk insured pursuant to such section 222, or any marine or war risk reinsured with the Commission as hereinbefore provided. No insurance broker or other person acting in a similar intermediary capacity shall be paid any fee or other consideration by the Commission by virtue of his participation in arranging any insurance wherein the Commission directly insures any of the risk thereof, *but the Commission may allow fair and reasonable compensation to any company authorized to do an insurance business in any State of the United States for servicing insurance written by such company as an underwriting agent for the Commission, and such compensation may include an allowance for expenses reasonably incurred by such agent but such expenses shall not include any commission paid by such agent in excess of 5 per centum of the premiums in respect of such insurance.* Reinsurance shall not be provided by the Commission at rates less than (1) the rates established by the Commission on the same or similar risks or (2) the rates charged by the insurance carrier for the insurance so reinsured, whichever is the higher, except that the Commission may make to the insurance carrier such allowance for taxes, commissions, and other customary expenses [(not to exceed 5 per centum of the premiums paid for that portion of the direct insurance so reinsured)] as it may deem reasonably to accord with good business practice, *but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 per centum of the premiums paid for that portion of the direct insurance so reinsured.*

SEC. 224. (a) Any department or agency of the United States is hereby authorized to procure insurance from the Commission as provided for in section 222 of this subtitle *or in section 10 of the Merchant Marine Act, 1920, as amended*, except as provided in the Government Losses in Shipment Act, approved July 8, 1937, as amended (50 Stat. 479; U. S. C., Supp. VI, title 5, secs. 134 to 134h).

(b) The Commission is authorized to provide such insurance at the request of the Secretary of War or the Secretary of the Navy on a nominal premium basis in consideration of the agreement of the department concerned to indemnify the Commission against all losses covered by such insurance, and the Secretary of War or the Secretary of the Navy is authorized to execute such idemnity agreement with the Commission.

SEC. 225. In the event of disagreement as to a claim for losses or the amount thereof, on account of insurance under this subtitle, an action on the claim may be brought and maintained against the United States in the district court of the United States sitting in admiralty in the district in which the claimant or his agent may reside, or in case the claimant has no residence in the United States, in a district court in which the Attorney General of the United States shall agree to accept service. Said suits shall proceed and shall be heard and determined according to the provisions of an Act entitled "An Act authorizing suits against the United States in admiralty, suits for salvage services, and providing for the release of merchant vessels belonging to the United States from arrest and attachment in foreign jurisdictions, and for other purposes", approved March 9, 1920, as amended (known as the Suits in Admiralty Act), insofar as such provisions are not inapplicable and are not contrary to or inconsistent with the provisions of this subtitle. *All persons having or claiming to have an interest in such insurance, or who is believed might assert such an interest, may be made parties to such suit, either initially or upon the motion of either party. In any case where the Commission acknowledges the indebtedness of the United States on account of such insurance, and there may be a dispute as to the person or persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against the persons having or claiming to have any interest in such insurance, or who it is believed might assert such an interest, in the District Court of the United States for the District of Columbia, or in the district court in and for the district in which any such person resides. In either of such actions any person claiming to have an interest in such insurance, or who it is believed might assert such an interest, if not an inhabitant of or found within the district within which either of such actions is brought, may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct, and if it be shown to the satisfaction of the court that persons unknown might assert a claim on account of such insurance, the court may direct service upon such persons unknown by publication in the Federal Register. Judgment in any such action shall discharge the United States from further liability to any parties to such action, and to all persons where service by publication upon persons unknown is directed by the court. The procedure herein provided shall apply to all actions now pending against the United States under the provisions of this subtitle, as amended.*

SEC. 226 (a) The Commission in the administration of this subtitle is authorized to adjust and pay losses, compromise and settle claims whether in favor of or against the Government, and to pay the amount of any judgment rendered in respect of any suit or settlement agreed upon in respect of any claim. The determinations of the Commission with respect to adjustments, compromises, settlements, and payments hereunder shall not be subject to review by any other executive or accounting officer of the Government.

(b) The Commission is authorized to prescribe such forms and policies, to change or modify such forms and policies as may be necessary or appropriate under the circumstances, and to fix and adjust, as may be required by circumstances, the rates and changes of rates of insurance provided for in this subtitle.

(c) The Commission is authorized and directed to prescribe such rules and regulations as may be necessary or appropriate to carry out the provisions of this subtitle. The Commission is authorized, in administering the provisions of this subtitle, to exercise its powers, perform its duties and functions, and make its expenditures, in accordance with commercial practice in the marine insurance business.

(d) The Commission, without regard to the laws, rules, or regulations relating to the employment of employees of the United States, may appoint and prescribe the duties of such number of experts in marine insurance as the Commission may deem necessary in carrying out the provisions of this subtitle. The Commission, with the consent of any executive department, independent establishment, or other agency of the Government, including any field service thereof,

may avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this subtitle.

(e) The Commission shall include in the annual report to Congress a detailed statement of all activities and of all expenditures and receipts under this subtitle for the period covered by such report.

(f) When used in this subtitle—

(1) The term "American vessels" includes any vessel registered, enrolled, or licensed under the laws of the United States and any undocumented vessel owned or chartered by or made available to the United States or any department or agency thereof and any American-owned tug or barge or other watercraft (documented or undocumented) used in essential water transportation or in the fishing trade or industry. This subsection shall not be construed as including any watercraft used exclusively in or for sport fishing.

(2) The term "transportation in the water-borne commerce of the United States" shall be deemed to include the operation of vessels in the fishing trade or industry.

(3) The term "risks of war" shall include those losses which, in accordance with commercial practice prevailing from time to time, are excluded from marine insurance coverage under "free of capture and seizure" clauses or clauses analogous thereto.

SEC. 227. Nothing in this subtitle shall be deemed to affect the rights of seamen under any provision of existing law.

SEC. 228. In conformity with the President's Executive order of February 7, 1942 (Numbered 9054; 7 F. R. 837), the authority conferred upon the Commission by this subtitle shall be vested in and exercised by the Administrator of the War Shipping Administration.

SEC. 229. In addition to the insurance functions authorized by the other sections of this subtitle, the War Shipping Administration may insure directly, or may reinsure in whole or in part any company authorized to do business in any State in the United States and which shall insure directly, any person who shall perform services or provide facilities for or with respect to any public or private vessel against legal liabilities (except liability to employees in respect of employer's liability and workmen's compensation) that may be incurred by such person in connection with the performance of such services or the providing of such facilities, whenever in the opinion of the Administrator, War Shipping Administration, such insurance or reinsurance is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do an insurance business in any State of the United States.

Section 3 (b), Public Law 101, Seventy-Seventh Congress (sec. 3 (j) of the bill.)

(b) The Commission is authorized to provide such insurance and reinsurance with respect to vessels (including any interest *or liability* of the [owner or charterer] *owner, charterer, or agent*) chartered, purchased, requisitioned, or the title to which or the possession of which is taken over, under this Act, as it may deem necessary in connection with the operation, use, or disposition thereof under this Act, whenever it appears to the Commission that adequate and satisfactory insurance is not otherwise obtainable at reasonable rates and upon reasonable terms and conditions. The fund established pursuant to Public Resolution Numbered 94, Seventy-sixth Congress, approved July 18, 1940 (54 Stat. 766), shall be available for all purposes of this subsection; and all moneys received from premiums and from salvage or other recoveries and all receipts in connection with such insurance shall be deposited to the credit of such fund, and all disbursements made by the Commission in carrying out the provisions of this subsection, including the payment of return premiums and all liabilities incurred hereunder, shall be paid from such fund. The provisions of sections 225 and 226 (a) to (e), inclusive, of the Merchant Marine Act, 1936, as amended, shall be applicable in the administration of this subsection.

Section 4, Public Law 101, Seventy-seventh Congress (sec. 3 (k) of the bill):

Whenever the United States Maritime Commission is authorized to charter vessels under section 3 hereof, it is further authorized, notwithstanding any other provision of law, to purchase any vessel, whether undocumented or documented under the laws of the United States or of a foreign country, deemed by the Commission to be suitable for transportation of foreign commerce of the United States

or of commodities essential to the national defense, without regard to the provisions of section 3709 of the Revised Statutes, at such price and upon such terms and conditions as it may deem fair and reasonable and in the public interest. Such vessels and vessels otherwise acquired by or made available to the Commission may be chartered as provided in section 3 of this Act, or operated by the Commission upon such terms and conditions as it may deem desirable and in the public interest, giving primary consideration to the needs of national defense, *and when so chartered or operated may be insured as provided in said section 3*, but no vessel constructed under the provisions of the Merchant Marine Act, 1936, as amended, may be chartered to a private operator hereunder. All moneys received by the Commission under the provisions of this section shall be deposited in the construction fund of the Commission, and all disbursements made by the Commission in carrying out the provisions of this section or section 5 (f) (except as provided in section 2) shall be paid from such fund.

O

WAR SHIPPING ADMINISTRATION

The Clerk called the next bill, H. R. 133, to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

Mr. KEAN. Reserving the right to object, Mr. Speaker, this is a very complicated bill. Will the gentleman from Georgia give an explanation of the bill to the House?

Mr. RAMSPECK. May I say to the gentleman from New Jersey that this bill was reported in the last Congress and passed the House in almost the identical form in which it is presented here. It has a great many provisions in it which are wanted by the War Shipping Administration. It has a few changes, none of any great importance, which were made to conform with amendments presented in the Senate during the last session. The bill did not pass the Senate. We have not included in the bill, however, one controversial amendment which the Senate put in its bill, an amendment dealing with section 902 of the Merchant Marine Act, which has to do with the enhancement clause of the Merchant Marine Act. That was left out because we did not want anything controversial in this bill.

This bill deals with seamen's benefits, with insurance protection for seamen and their dependents, with the procedure of the requisition of vessels but not the payment of the price under section 902, and with the insurance administration, and coverage of vessels, and it contains some miscellaneous provisions.

I may say to the gentleman that I am not as familiar with the bill as the chairman of the committee would be if he could be here, but I can assure him that the bill passed the House once without any question and has been reported in the Senate with the provisions in the bill which are now presented.

Mr. KEAN. This is a unanimous report?

Mr. RAMSPECK. It is.

Mr. KEAN. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That (a) officers and members of crews (hereinafter referred to as "seamen") employed on United States or foreign-flag vessels as employees of the United States through the War Shipping Administration shall, with respect to (1) laws administered by the Public Health Service and the Social Security Act, as amended by subsection (b) (2) and (3) of this section; (2) death, injuries, illness, maintenance and cure, loss of effects, detention, or repatriation, or claims arising therefrom not covered by the foregoing clause (1); and (3) collection of wages and bonuses and making of allotments, have all of the rights, benefits, exemptions, privileges, and liabilities, under law applicable to citizens of the United States employed as seamen on privately owned and operated American vessels. Such seamen, because of the temporary wartime character of their employment by the War Shipping Administration, shall not be considered as officers or employees of the United States for the purposes of the United States Employees Compensation Act, as amended; the Civil Service Retirement Act, as amended; the act of Congress approved March 7, 1942 (Public Law 490, 77th Cong.); or the act entitled "An act to provide benefits for the injury, disability, death, or detention of employees of contractors with the United States and certain other persons or reimbursement therefor", approved December 2, 1942 (Public Law 784, 77th Cong.). Claims arising under clause (1) hereof shall be enforced in the same manner as such claims would be enforced if the seaman were employed on a privately owned and operated American vessel. Any claim referred to in clause (2) or (3) hereof shall, if administratively disallowed in whole or in part, be enforced pursuant to the provisions of the Suits in Admiralty Act, notwithstanding the vessel on which the seaman is employed is not a merchant vessel within the meaning of such act. Any claim, right, or cause of action of or in respect of any such seaman accruing on or after October 1, 1941, and prior to the date of enactment of this section may be enforced, and upon the election of the seaman or his surviving dependent or beneficiary, or his legal representative to do so shall be governed, as if this section had been in effect when such claim, right, or cause of action accrued, such election to be made in accordance with rules and regulations prescribed by the Administrator, War Shipping Administration. Rights of any seaman under the Social Security Act, as amended by subsection (b) (2) and (3), and claims therefor shall be governed solely by the provisions of such act, so amended. When used in this subsection the term "administratively disallowed" means a denial of a written claim in accordance with rules or regulations prescribed by the Administrator, War Shipping Administration. When used in this subsection the terms "War Shipping Administration" and "Administrator, War Shipping Administration" shall be deemed to include the United States Maritime Commission with respect to the period beginning October 1, 1941, and ending February 11, 1942, and the term "seaman" shall be deemed to include any seaman employed as an employee of the United States through the War Shipping Administration on vessels made available to or subchartered to other agencies or departments of the United States.

(b) (1) Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"(i) Officers and members of crews employed by War Shipping Administration.—The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission. The term 'wages' means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection."

(2) Section 209 of the Social Security Act, as amended (U. S. C., title 42, sec. 409), is amended by adding at the end thereof the following new subsection:

"(o) (1) Officers and members of crews employed by War Shipping Administration; The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with

any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission.

"(2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board, to make certification to it with respect to any matter determinable for the Board by the War Shipping Administrator under this subsection, which the Board finds necessary in administering this title.

"(4) This subsection shall be effective as of September 30, 1941."

(3) Section 907 of the Social Security Act, amendments of 1939, is amended by inserting, after the phrase "attaining age 65", the following: "and 1 percent of any wages paid him for services which constitute employment by virtue of subsection (o) of section 209 of the Social Security Act, as amended,".

(c) The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

SEC. 2. (a) Section 222 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting before the period at the end thereof a semicolon and the following: "and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable."

(b) Whenever the Administrator, War Shipping Administration, finds that, on or after October 1, 1941, and before 30 days after the date of enactment of this subsection, a master, officer, or member of the crew of, or any persons transported on, a vessel owned by or chartered to the Maritime Commission or the War Shipping Administration or operated by, or for the account of, or at the direction or under the control of the Commission or the Administration, has suffered death, injury, detention, or other casualty, for which the War Shipping Administration would be authorized to provide insurance under Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended by this act, the Administrator may declare that such death, injury, detention, or other casualty, shall be deemed and considered to be covered by such insurance at the time of the disaster or accident, if the Administrator finds that such action is required to make equitable provision for loss or injury related to the war effort and not otherwise adequately provided for: *Provided*, That in making provision for insurance under this subsection the Administrator shall not provide for payments in excess of those generally provided for in comparable cases under insurance hereafter furnished under the said Subtitle—Insurance of Title II, as amended: *Provided further*, That any money paid to any person by reason of insurance provided for under this subsection shall apply in pro tanto satisfaction of the claim of such person against the United States arising from the same loss or injury. The declarations, findings, and actions of or by the Administrator under this subsection shall be final and conclusive.

SEC. 3. (a) The second proviso of section 1 of the act of June 6, 1941 (Public Law 101, 77th Cong.), as amended, is hereby amended to read as follows: "*Provided further*, That such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(b) The Administrator, War Shipping Administration, may determine at any time prior to the payment in full or deposit in full with the Treasurer of the United States, or the payment or deposit of 75 percent, of just compensation therefor that the ownership of any vessel (the title to which has been requisitioned pursuant to sec. 902 of the Merchant Marine Act, 1936, as amended, or the act of June 6, 1941 (Public Law 101, 77th Cong.)), is not required by the United States, and after such determination has been made and notice thereof has been published in the Federal Register, the use rather than the title to such vessel shall be deemed to have been requisitioned for all purposes as of the date of the original taking: *Provided, however*, That no such determination shall be made with respect to any vessel owned by citizens of the United States after the expiration of a period of 2 months after the date of delivery of such vessel pursuant to title requisition except with the consent of the owner. Upon the written recommendation of the Secretary of State, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel, the title to which has been requisitioned pursuant to the act of June 6, 1941 (Public Law 101, 77th Cong.), which shall have been lost or destroyed or converted to naval or military use by the United States.

(c) In the event that a vessel the title or use and possession of which is requisitioned or taken pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the act of June 6, 1941 (Public Law 101, 77th Cong.), is in the custody of any court, State or Federal, it shall be the duty of all agents and officers of the court having possession, custody, or control of said vessel, forthwith upon the filing with the clerk of said court of a certified copy of the order of requisitioning or taking, and without further order of the court, to comply with said requisitioning or taking and to permit the representatives of the United States Maritime Commission or the War Shipping Administration, as the case may be, to take possession, custody, and control of said vessel.

(d) Section 902 of the Merchant Marine Act, 1936, as amended, is hereby amended by adding at the end of subsection (d) thereof a paragraph to read as follows:

"The existence of any valid claim by way of mortgage or maritime claim or attachment lien upon such vessel shall not prevent the taking thereof pursuant to this section: *Provided, however*, That in the event any such claim exists the United States Maritime Commission may in its discretion deposit such portion of the compensation hereunder, or advances on account thereof, as may equal but not exceed the amount of such claims in respect of the vessel, with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisitioning or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suits shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(e) (1) The second sentence of section 223 of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting before the period at the end thereof a comma and the following: "but the Commission may allow fair and reasonable compensation to any company authorized to do an insurance business in any State of the United States for servicing insurance written by such company as an underwriting agent for the Commission, and such compensation may include an allowance for expenses reasonably incurred by such agent but such expenses shall not include any commission paid by such agent in excess of 5 percent of the premiums in respect of such insurance."

(2) The last sentence of such section 223 is amended by striking out the clause in parentheses, and by inserting before the period at the end of such sentence a comma and the following: "but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 percent of the premiums paid for that portion of the direct insurance so reinsured."

(f) Section 224 (a) of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting after the word "subtitle" and before the comma following such word the words "or in section 10 of the Merchant Marine Act, 1920, as amended."

(g) Section 225 of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof the following: "All persons having or claiming to have an interest in such insurance, or who it is believed might assert such an interest, may be made parties to such suit, either initially or upon the motion of either party. In any case where the Commission acknowledges the indebtedness of the United States on account of such insurance, and there may be a dispute as to the person or persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against the persons having or claiming to have any interest in such insurance, or who it is believed might assert such an interest, in the District Court of the United States for the District of Columbia, or in the district court in and for the district in which any such person resides. In either of such actions any person claiming to have an interest in such insurance, or who it is believed might assert such an interest, if not an inhabitant of or found within the district within which either of such actions is brought, may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct, and if it be shown to the satisfaction of the court that persons unknown might assert a claim on account of such insurance, the court may direct service upon such persons unknown by publication in the Federal Register. Judgment in any such action shall discharge the United States from further liability to any parties to such action, and to all persons where service by publication upon persons unknown is directed by the court. The procedure herein provided shall apply to all actions now pending against the United States under the provisions of this subtitle, as amended."

(h) Section 226 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof a new paragraph to read as follows:

"(3) The term 'risks of war' shall include those losses which, in accordance with commercial practice prevailing from time to time, are excluded from marine insurance coverage under 'free of capture and seizure' clauses or clauses analogous thereto."

(i) Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof a section to read as follows:

"SEC. 229. In addition to the insurance functions authorized by the other sections of this subtitle, the War Shipping Administration may insure directly, or may reinsure in whole or in part any company authorized to do business in any State in the United States and which shall insure directly, any person who shall perform services or provide facilities for or with respect to any public or private vessel against legal liabilities (except liability to employees in respect of employer's liability and workmen's compensation) that may be incurred by such person in connection with the performance of such services or the providing of such facilities, whenever in the opinion of the Administrator, War Shipping Administration, such insurance or reinsurance is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do an insurance business in any State of the United States."

(j) The clause in parentheses in the first sentence of section 3 (b) of the act of June 6, 1941, as amended (Public Law 101, 77th Cong.), is amended to read as follows: "(including any interest or liability of the owner, charterer, or agent)."

(k) The second sentence of section 4 of such act of June 6, 1941, is amended by inserting after the words "national defense" and before the semicolon a comma and the following: "and when so chartered or operated may be insured as provided in said section 3."

SEC. 4. The United States shall, with respect to vessels owned by or chartered to the War Shipping Administrator under bareboat charter or time charter or operated directly by such Administrator or for his account, be entitled to the benefits of all exemptions and of all limitations of liability accorded by law to the owners of vessels. With respect to any such vessel, the term "the United States" shall include agents or other persons acting for or on behalf of the Administrator in connection with the operation thereof.

SEC. 5. The provisions of section 1 (a) of this act shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue and may be enforced in the same manner as if such provisions had not terminated. The authority conferred upon the United States Maritime Commission by any provision of this act shall be vested in and exercised by the Administrator of the War Shipping Administration in conformity with the Executive order of February 7, 1942 (No. 9054; 7 F. R. 837), as heretofore or hereafter amended.

With the following committee amendment:

On page 12, line 12, strike out "January 1" and insert "June 30."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

WAR SHIPPING ADMINISTRATION

The Clerk called the next bill, H. R. 133, to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

Mr. KEAN. Reserving the right to object, Mr. Speaker, this is a very complicated bill. Will the gentleman from Georgia give an explanation of the bill to the House?

Mr. RAMSPECK. May I say to the gentleman from New Jersey that this bill was reported in the last Congress and passed the House in almost the identical form in which it is presented here. It has a great many provisions in it which are wanted by the War Shipping Administration. It has a few changes, none of any great importance, which were made to conform with amendments presented in the Senate during the last session. The bill did not pass the Senate. We have not included in the bill, however, one controversial amendment which the Senate put in its bill, an amendment dealing with section 902 of the Merchant Marine Act, which has to do with the enhancement clause of the Merchant Marine Act. That was left out because we did not want anything controversial in this bill.

This bill deals with seamen's benefits, with insurance protection for seamen and their dependents, with the procedure of the requisition of vessels but not the payment of the price under section 902, and with the insurance administration, and coverage of vessels, and it contains some miscellaneous provisions.

I may say to the gentleman that I am not as familiar with the bill as the chairman of the committee would be if he could be here, but I can assure him that the bill passed the House once without any question and has been reported in the Senate with the provisions in the bill which are now presented.

Mr. KEAN. This is a unanimous report?

Mr. RAMSPECK. It is.

Mr. KEAN. I withdraw my reservation of objection, Mr. Speaker.

The SPEAKER. Is there objection to the present consideration of the bill?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That (a) officers and members of crews (hereinafter referred to as "seamen") employed on United States or foreign-flag vessels as employees of the United States through the War Shipping Administration shall, with respect to (1) laws administered by the Public Health Service and the Social Security Act, as amended by subsection (b) (2) and (3) of this section; (2) death, injuries, illness, maintenance and cure, loss of effects, detention, or repatriation, or claims arising therefrom not covered by the foregoing clause (1); and (3) collection of wages and bonuses and making of allotments, have all of the rights, benefits, exemptions, privileges, and liabilities, under law applicable to citizens of the United States employed as seamen on privately owned and operated American vessels. Such seamen, because of the temporary wartime character of their employment by the War Shipping Administration, shall not be considered as officers or employees of the United States for the purposes of the United States Employees Compensation Act, as amended; the Civil Service Retirement Act, as amended; the act of Congress approved March 7, 1942 (Public Law 490, 77th Cong.); or the act entitled "An act to provide benefits for the injury, disability, death, or detention of employees of contractors with the United States and certain other persons or reimbursement therefor", approved December 2, 1942 (Public Law 784, 77th Cong.). Claims arising under clause (1) hereof shall be enforced in the same manner as such claims would be enforced if the seaman were employed on a privately owned and operated American vessel. Any claim referred to in clause (2) or (3) hereof shall, if administratively disallowed in whole or in part, be enforced pursuant to the provisions of the Suits in Admiralty Act, notwithstanding the vessel on which the seaman is employed is not a merchant vessel within the meaning of such act. Any claim, right, or cause of action of or in respect of any such seaman accruing on or after October 1, 1941, and prior to the date of enactment of this section may be enforced, and upon the election of the seaman or his surviving dependent or beneficiary, or his legal representative to do so shall be governed, as if this section had been in effect when such claim, right, or cause of action accrued, such election to be made in accordance with rules and regulations prescribed by the Administrator, War Shipping Administration. Rights of any seaman under the Social Security Act, as amended by subsection (b) (2) and (3), and claims therefor shall be governed solely by the provisions of such act, so amended. When used in this subsection the term "administratively disallowed" means a denial of a written claim in accordance with rules or regulations prescribed by the Administrator, War Shipping Administration. When used in this subsection the terms "War Shipping Administration" and "Administrator, War Shipping Administration" shall be deemed to include the United States Maritime Commission with respect to the period beginning October 1, 1941, and ending February 11, 1942, and the term "seaman" shall be deemed to include any seaman employed as an employee of the United States through the War Shipping Administration on vessels made available to or subchartered to other agencies or departments of the United States.

(b) (1) Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"(i) Officers and members of crews employed by War Shipping Administration.—The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission. The term 'wages' means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection."

(2) Section 209 of the Social Security Act, as amended (U. S. C., title 42, sec. 409), is amended by adding at the end thereof the following new subsection:

"(o) (1) Officers and members of crews employed by War Shipping Administration; The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with

any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission.

"(2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board, to make certification to it with respect to any matter determinable for the Board by the War Shipping Administrator under this subsection, which the Board finds necessary in administering this title.

"(4) This subsection shall be effective as of September 30, 1941."

(3) Section 907 of the Social Security Act, amendments of 1939, is amended by inserting, after the phrase "attaining age 65", the following: "and 1 percent of any wages paid him for services which constitute employment by virtue of subsection (o) of section 209 of the Social Security Act, as amended,".

(c) The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

SEC. 2. (a) Section 222 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting before the period at the end thereof a semicolon and the following: "and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable."

(b) Whenever the Administrator, War Shipping Administration, finds that, on or after October 1, 1941, and before 30 days after the date of enactment of this subsection, a master, officer, or member of the crew of, or any persons transported on, a vessel owned by or chartered to the Maritime Commission or the War Shipping Administration or operated by, or for the account of, or at the direction or under the control of the Commission or the Administration, has suffered death, injury, detention, or other casualty, for which the War Shipping Administration would be authorized to provide insurance under Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended by this act, the Administrator may declare that such death, injury, detention, or other casualty, shall be deemed and considered to be covered by such insurance at the time of the disaster or accident, if the Administrator finds that such action is required to make equitable provision for loss or injury related to the war effort and not otherwise adequately provided for: *Provided*, That in making provision for insurance under this subsection the Administrator shall not provide for payments in excess of those generally provided for in comparable cases under insurance hereafter furnished under the said Subtitle—Insurance of Title II, as amended: *Provided further*, That any money paid to any person by reason of insurance provided for under this subsection shall apply in pro tanto satisfaction of the claim of such person against the United States arising from the same loss or injury. The declarations, findings, and actions of or by the Administrator under this subsection shall be final and conclusive.

SEC. 3. (a) The second proviso of section 1 of the act of June 6, 1941 (Public Law 101, 77th Cong.), as amended, is hereby amended to read as follows: "*Provided further*, That such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(b) The Administrator, War Shipping Administration, may determine at any time prior to the payment in full or deposit in full with the Treasurer of the United States, or the payment or deposit of 75 percent, of just compensation therefor that the ownership of any vessel (the title to which has been requisitioned pursuant to sec. 902 of the Merchant Marine Act, 1936, as amended, or the act of June 6, 1941 (Public Law 101, 77th Cong.)), is not required by the United States, and after such determination has been made and notice thereof has been published in the Federal Register, the use rather than the title to such vessel shall be deemed to have been requisitioned for all purposes as of the date of the original taking: *Provided, however*, That no such determination shall be made with respect to any vessel owned by citizens of the United States after the expiration of a period of 2 months after the date of delivery of such vessel pursuant to title requisition except with the consent of the owner. Upon the written recommendation of the Secretary of State, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel, the title to which has been requisitioned pursuant to the act of June 6, 1941 (Public Law 101, 77th Cong.), which shall have been lost or destroyed or converted to naval or military use by the United States.

(c) In the event that a vessel the title or use and possession of which is requisitioned or taken pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the act of June 6, 1941 (Public Law 101, 77th Cong.), is in the custody of any court, State or Federal, it shall be the duty of all agents and officers of the court having possession, custody, or control of said vessel, forthwith upon the filing with the clerk of said court of a certified copy of the order of requisitioning or taking, and without further order of the court, to comply with said requisitioning or taking and to permit the representatives of the United States Maritime Commission or the War Shipping Administration, as the case may be, to take possession, custody, and control of said vessel.

(d) Section 902 of the Merchant Marine Act, 1936, as amended, is hereby amended by adding at the end of subsection (d) thereof a paragraph to read as follows:

"The existence of any valid claim by way of mortgage or maritime claim or attachment lien upon such vessel shall not prevent the taking thereof pursuant to this section: *Provided, however*, That in the event any such claim exists the United States Maritime Commission may in its discretion deposit such portion of the compensation hereunder, or advances on account thereof, as may equal but not exceed the amount of such claims in respect of the vessel, with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisitioning or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suits shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(e) (1) The second sentence of section 223 of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting before the period at the end thereof a comma and the following: "but the Commission may allow fair and reasonable compensation to any company authorized to do an insurance business in any State of the United States for servicing insurance written by such company as an underwriting agent for the Commission, and such compensation may include an allowance for expenses reasonably incurred by such agent but such expenses shall not include any commission paid by such agent in excess of 5 percent of the premiums in respect of such insurance."

(2) The last sentence of such section 223 is amended by striking out the clause in parentheses, and by inserting before the period at the end of such sentence a comma and the following: "but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 percent of the premiums paid for that portion of the direct insurance so reinsured."

(f) Section 224 (a) of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting after the word "subtitle" and before the comma following such word the words "or in section 10 of the Merchant Marine Act, 1920, as amended."

(g) Section 225 of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof the following: "All persons having or claiming to have an interest in such insurance, or who it is believed might assert such an interest, may be made parties to such suit, either initially or upon the motion of either party. In any case where the Commission acknowledges the indebtedness of the United States on account of such insurance, and there may be a dispute as to the person or persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against the persons having or claiming to have any interest in such insurance, or who it is believed might assert such an interest, in the District Court of the United States for the District of Columbia, or in the district court in and for the district in which any such person resides. In either of such actions any person claiming to have an interest in such insurance, or who it is believed might assert such an interest, if not an inhabitant of or found within the district within which either of such actions is brought, may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct, and if it be shown to the satisfaction of the court that persons unknown might assert a claim on account of such insurance, the court may direct service upon such persons unknown by publication in the Federal Register. Judgment in any such action shall discharge the United States from further liability to any parties to such action, and to all persons where service by publication upon persons unknown is directed by the court. The procedure herein provided shall apply to all actions now pending against the United States under the provisions of this subtitle, as amended."

(h) Section 226 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof a new paragraph to read as follows:

"(3) The term 'risks of war' shall include those losses which, in accordance with commercial practice prevailing from time to time, are excluded from marine insurance coverage under 'free of capture and seizure' clauses or clauses analogous thereto."

(i) Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof a section to read as follows:

"SEC. 229. In addition to the insurance functions authorized by the other sections of this subtitle, the War Shipping Administration may insure directly, or may reinsure in whole or in part any company authorized to do business in any State in the United States and which shall insure directly, any person who shall perform services or provide facilities for or with respect to any public or private vessel against legal liabilities (except liability to employees in respect of employer's liability and workmen's compensation) that may be incurred by such person in connection with the performance of such services or the providing of such facilities, whenever in the opinion of the Administrator, War Shipping Administration, such insurance or reinsurance is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do an insurance business in any State of the United States."

(j) The clause in parentheses in the first sentence of section 3 (b) of the act of June 6, 1941, as amended (Public Law 101, 77th Cong.), is amended to read as follows: "(including any interest or liability of the owner, charterer, or agent)."

(k) The second sentence of section 4 of such act of June 6, 1941, is amended by inserting after the words "national defense" and before the semicolon a comma and the following: "and when so chartered or operated may be insured as provided in said section 3."

SEC. 4. The United States shall, with respect to vessels owned by or chartered to the War Shipping Administrator under bareboat charter or time charter or operated directly by such Administrator or for his account, be entitled to the benefits of all exemptions and of all limitations of liability accorded by law to the owners of vessels. With respect to any such vessel, the term "the United States" shall include agents or other persons acting for or on behalf of the Administrator in connection with the operation thereof.

SEC. 5. The provisions of section 1 (a) of this act shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue and may be enforced in the same manner as if such provisions had not terminated. The authority conferred upon the United States Maritime Commission by any provision of this act shall be vested in and exercised by the Administrator of the War Shipping Administration in conformity with the Executive order of February 7, 1942 (No. 9054; 7 F. R. 837), as heretofore or hereafter amended.

With the following committee amendment:

On page 12, line 12, strike out "January 1" and insert "June 30."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

WAR SHIPPING ADMINISTRATION

The Clerk called the next bill, H. R. 7424, to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That all seamen employed by or on behalf of the United States through the War Shipping Administration, or agents or other persons acting for or on behalf of the War Shipping Administration, shall, with respect to (1) death, injuries, illness, loss of effects, detention, or repatriation, or claims arising therefrom; (2) the Federal social security laws and Federal employment tax laws; and (3) allotments, have all of the rights, benefits, exemptions, privileges, and liabilities of seamen employed on privately owned and operated American vessels. Such seamen shall not be entitled to any benefits nor be subject to any charges provided for Federal employees under the United States Employees Compensation Act, as amended, or the Civil Service Retirement Act, as amended. Any claim referred to in clause (1) hereof shall, if administratively disallowed in whole or in part, be enforced pursuant to the provisions of the Suits in Admiralty Act, notwithstanding the vessel on which the seaman is employed is not a merchant vessel within the meaning of such act. The War Shipping Administration, with respect to seamen employed by it or on its behalf, is hereby authorized to make payments by way of contributions, and to make deductions from wages of such seamen, as if an employer under the Federal social security laws and Federal employment tax laws. The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

SEC. 2. Section 222 (f) of Subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting before the period at the end thereof a semicolon and the following: "and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable."

SEC. 3. (a) The second proviso of section 1 of the act of June 6, 1941 (Public Law 101, 77th Cong.), as amended, is hereby amended to read as follows: "*Provided further*, That such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to January 1, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(b) The last sentence of section 223 of Subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by striking out the clause in parentheses, and by inserting before the period at the end of such sentence a comma and the following: "but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 percent of the premiums paid for that portion of the direct insurance so reinsured."

(c) Section 224 (a) of Subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting after the word "subtitle" and before the comma following such word the words "or in section 10 of the Merchant Marine Act, 1920, as amended."

(d) The clause in parentheses in the first sentence of section 3 (b) of the act of June 6, 1941, as amended (Public Law 101, 77th Cong.), is amended to read as follows: "(including any interest or liability of the owner, charterer, or agent)."

(e) The second sentence of section 4 of such act of June 6, 1941, is amended by inserting after the words "national defense" and before the semicolon a comma and the following: "and when so chartered or operated may be insured as provided in said section 3."

SEC. 4. The United States shall, with respect to vessels chartered to the War Shipping Administrator under bareboat charter or time charter or operated directly by such Administrator or for his account, be entitled to the benefits of all exemptions and of all limitations of liability accorded by law to the owners of vessels. With respect to any such vessel, the term "The United States" shall include agents or other persons acting for or on behalf of the Administrator in connection with the operation thereof.

SEC. 5. The provisions of section 1 of this act shall take effect on the date of enactment hereof, but payments and deductions under the Federal social security laws and Federal employment tax laws of the nature authorized by said section 1 made prior to such date are hereby ratified and confirmed. The provisions of such section 1 shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue, and may be enforced in the same manner as if such provisions had not terminated.

With the following committee amendment:

Strike out all after the enacting clause and insert the following:

"That (a) officers and members of crews (hereinafter referred to as 'seamen') employed on United States or foreign-flag vessels as employees of the United States through the War Shipping Administration shall, with respect to (1) laws administered by the Public Health Service and the Social Security Act, as amended by subsection (b) (2) and (3) of this section; (2) death, injuries, illness, maintenance and cure, loss of effects, detention, or repatriation, or claims arising therefrom not covered by the foregoing clause (1); and (3) collection of wages and bonuses and making of allotments, have all of the rights, benefits, exemptions, privileges, and liabilities, under law applicable to citizens of the United States employed as seamen on privately owned and operated American vessels. Such seamen, because of the temporary wartime character of their employment by the War Shipping Administration, shall not be considered as officers or employees of the United States for the purposes of the United States Employees Compensation Act, as amended; the Civil Service Retirement Act, as amended; or the act of Congress approved March 7, 1942 (Public, No. 490, 77th Cong.). Claims arising under clause (1) hereof shall be enforced in the same manner as such claims would be enforced if the seamen were employed on a privately owned and operated American vessel. Any claim referred to in clause (2) or (3) hereof shall, if administratively disallowed in whole or in part, be enforced pursuant to the provisions of the Suits in Admiralty Act, notwithstanding the vessel on which the seaman is employed is not a merchant vessel within the meaning of such act. Any claim, right, or cause of action of or in respect of any such seaman accruing on or after October 1, 1941, and prior to the date of enactment of this section may be enforced, and upon the election of the seaman or his surviving dependent or beneficiary, or his legal representative to do so shall be governed, as if this section had been in effect when such claim, right, or cause of action accrued, such election to be made in accordance with rules and regulations prescribed by the Administrator, War Shipping Administration. Rights of any seaman under the Social Security Act, as amended by subsection (b) (2) and (3) and claims therefor shall be governed solely by the provisions of such act, so amended. When used in this subsection the term 'administratively disallowed' means a denial of a written claim in accordance with rules or regulations prescribed by the Administrator, War Shipping Administration. When used in this subsection the terms 'War Shipping Administration' and 'Administrator, War Shipping Administration' shall be deemed to include the United States Maritime Commission with respect to the period beginning October 1, 1941, and ending February 11, 1942, and the term 'seaman' shall be deemed to include any seaman employed as an employee of the United States through the War Shipping Administration on vessels made available to or subchartered to other agencies or departments of the United States. The President shall, whenever he finds that convenience of administration and the efficient prosecution of the war require, extend to seamen upon such terms and conditions as he finds fair and appropriate any and all the benefits of employees of the United States under the United States Employees Compensation Act, as amended, and upon such event the rights, benefits, and privileges of such seamen herein provided for with respect to death, injury, illness, and maintenance and cure, shall cease to such extent as the President finds that the termination of such rights, benefits, and privileges is necessary to avoid duplication of payments on account of death, injury, illness, or maintenance and cure.

"(b) (1) Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"'(i) Officers and members of crews employed by War Shipping Administration: The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission. The term "wages" means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection.'

"(2) Section 209 of the Social Security Act, as amended (U. S. C., title 42, sec. 409), is amended by adding at the end thereof the following new subsection:

"'(o) (1) Officers and members of crews employed by War Shipping Administration: The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission.

"'(2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be conclusive and shall not be reviewed by any person, tribunal, or governmental agency.

"'(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board, to make certification to it with respect to any matter determinable for the Board by the War Shipping Administrator under this subsection, which the Board finds necessary in administering this title.

"'(4) This subsection shall be effective as of September 30, 1941.'

"(3) Section 907 of the Social Security Act Amendments of 1939 is amended by inserting after the phrase 'attaining age sixty-five,' the following: 'and 1 percent of any wages paid him for services which constitute employment by virtue of subsection (o) of section 209 of the Social Security Act, as amended.'

"(c) The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

"SEC. 2. (a) Section 222 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by inserting before the period at the end thereof a semicolon and the following: 'and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable.'

"(b) Whenever the Administrator, War Shipping Administration, finds that, on or after October 1, 1941, and before 30 days after the date of enactment of this subsection, a master, officer, or member of the crew of, or any persons transported on, a vessel owned by or chartered to the Maritime Commission or the War Shipping Administration or operated by or for the account of or at the direction of the Commission or the Administration, has suffered death, injury, detention, or other casualty, for which the War Shipping Administration would be authorized to provide insurance under Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended by this act, the Administrator may declare that such death, injury, detention, or other casualty, shall be deemed and considered to be covered by such insurance at the time of the disaster or accident, if the Administrator finds that such action is required to make equitable provision for loss or injury related to the war effort and not otherwise adequately provided for: *Provided*, That in making provision for insurance under this subsection the Administrator shall not provide for payments in excess of those generally provided for in comparable cases under insurance hereafter furnished under the said Subtitle—Insurance of Title II, as amended: *Provided further*, That any money paid to any person by reason of insurance provided for under this subsection shall apply in pro tanto satisfaction of the claim of such person against the United States arising from the same loss or injury. The declarations, findings, and actions of or by the Administrator under this subsection shall be final and conclusive and shall not be reviewed by any person, tribunal, or governmental agency.

"SEC. 3. (a) The second proviso of section 1 of the act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), as amended, is hereby amended to read as follows: '*Provided further*, That such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to January 1, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the

United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction.'

"(b) The Administrator, War Shipping Administration, may determine at any time prior to the payment in full or deposit in full with the Treasurer of the United States, or the payment or deposit of 75 percent, of just compensation therefor that the ownership of any vessel (the title to which has been requisitioned pursuant to sec. 902 of the Merchant Marine Act, 1936, as amended, or the act of June 6, 1941 (Public, No. 101, 77th Cong.)), is not required by the United States, and after such determination has been made and notice thereof has been published in the Federal Register, the use rather than the title to such vessel shall be deemed to have been requisitioned for all purposes as of the date of the original taking.

"(c) In the event that a vessel the title or use and possession of which is requisitioned or taken pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the act of June 6, 1941 (Public, No. 101, 77th Cong.), is in the custody of any court, State or Federal, it shall be the duty of all agents and officers of the court having possession, custody, or control of said vessel, forthwith upon the filing with the clerk of said court of a certified copy of the order of requisitioning or taking, and without further order of the court, to comply with said requisitioning or taking and to permit the representatives of the United States Maritime Commission or the War Shipping Administration, as the case may be, to take possession, custody, and control of said vessel.

"(d) Section 902 of the Merchant Marine Act, 1936, as amended, is hereby amended by adding at the end of subsection (d) thereof a paragraph to read as follows:

" 'The existence of any valid claim by way of mortgage or maritime claim or attachment lien upon such vessel shall not prevent the taking thereof pursuant to this section: *Provided, however,* That in the event any such claim exists the United States Maritime Commission may in its discretion deposit the compensation hereunder, or advances on account thereof with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to January 1, 1943, or within 6 months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisitioning or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction.'

"(e) (1) The second sentence of section 223 of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting before the period at the end thereof a comma and the following: 'but the Commission may allow fair and reasonable compensation to any company authorized to do an insurance business in any State of the United States for servicing insurance written by such company as an underwriting agent for the Commission, and such compensation may include an allowance for expenses reasonably incurred by such agent but such expenses shall not include any commission paid by such agent in excess of 5 percent of the premiums in respect of such insurance.'

"(2) The last sentence of such section 223 is amended by striking out the clause in parentheses, and by inserting before the period at the end of such sentence a comma and the following: 'but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 percent of the premiums paid for that portion of the direct insurance so reinsured.'

"(f) Section 224 (a) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by inserting after the word 'subtitle' and before the comma following such word the words 'or in section 10 of the Merchant Marine Act, 1920, as amended.'

"(g) Section 225 of subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof the following: 'All persons having or claiming to have an interest in such insurance, or who it is believed might assert such an interest, may be made parties to such suit, either initially or upon the motion of either party. In any case where the Commission acknowledges the indebtedness of the United States on account of such insurance, and there may be a dispute as to the person or persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against the persons having or claiming to have any interest in such insurance, or who it is believed might assert such an interest, in the District Court of the United States for the District of Columbia, or in the district court in and for the district in which any such person resides. In either of such actions any person claiming to have an interest in such insurance, or who it is believed might assert such an interest, if not an inhabitant of or found within the district within which either of such actions is brought, may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct, and if it be shown to the satisfaction of the court that persons unknown might assert a claim on account of such insurance, the court may direct service upon such persons unknown by publication in the Federal Register. Judgment in any such action shall discharge the United States from further liability to any parties to such action, and to all persons where service by publication upon persons unknown is directed by the court. The procedure herein provided shall apply to all actions now pending against the United States under the provisions of this subtitle, as amended.'

"(h) Subtitle—Insurance of title II of the Merchant Marine Act, 1936, as amended (Public Law 523, 77th Cong.), is amended by adding at the end thereof a section to read as follows:

" 'SEC. 229. In addition to the insurance functions authorized by the other sections of this subtitle, the War Shipping Administration may insure directly, or may reinsure in whole or in part, any company authorized to do business in any State in the United States and which shall insure directly, any person who shall perform services or provide facilities for or with respect to any public or private vessel against legal liabilities (except liability to employees in respect of employer's liability and workmen's compensation) that may be incurred by such person in connection with the performance of such services or the providing of such facilities, whenever in the opinion of the Administrator, War Shipping Administration, such insurance or reinsurance is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do an insurance business in any State of the United States.'

"(i) The clause in parentheses in the first sentence of section 3 (b) of the act of June 6, 1941, as amended (Public Law 101, 77th Cong.), is amended to read as follows: '(including any interest or liability of the owner, charterer, or agent).'

"(j) The second sentence of section 4 of such act of June 6, 1941, is amended by inserting after the words 'national defense' and before the semicolon, a comma and the following: 'and when so chartered or operated may be insured as provided in said section 3.'

"SEC. 4. The United States shall, with respect to vessels owned by or chartered to the War Shipping Administrator under bare-boat charter or time charter or operated directly by such Administrator or for his account, be entitled to the benefits of all exemptions and of all limitations of liability accorded by law to the owners of vessels. With respect to any such vessel, the term 'the United States' shall include agents or other persons acting for or on behalf of the Administrator in connection with the operation thereof.

"SEC. 5. The provisions of section 1 (a) of this act shall remain in force until the termination of title I of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue, and may be enforced in the same manner as if such provisions had not terminated."

The committee amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

FUNCTIONS OF WAR SHIPPING ADMINISTRATION—BILL RECOMMITTED

The bill (H. R. 7424) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, was announced as next in order.

Mr. RADCLIFFE. Mr. President, since this important and highly desirable bill was reported by me to the Senate some objections have been made to certain of its provisions. It is believed that the objections can be considered better in committee than on the floor. I, therefore, intend to move that the bill be recommitted to the Committee on Commerce, where, we think, the various suggestions and criticisms can be considered very quickly, the bill reported back to the Senate, and then brought up for consideration and action.

This bill, as I have said, is very important. I think the procedure I have suggested will really make for expedition in the consideration of the bill. The chairman of the Committee on Commerce, the senior Senator from North Carolina [Mr. BAILEY], is in favor of this course, and the junior Senator from Maryland, who is chairman of the subcommittee, also believes that this is the wiser course to pursue. I ask, therefore, that the bill be recommitted to the Committee on Commerce.

The PRESIDING OFFICER. Without objection, the bill is recommitted to the Committee on Commerce.

CLARIFICATION OF MERCHANT MARINE LAWS

Mr. BAILEY. Mr. President, I move—and I should like to have the attention of the Senator from Oregon [Mr. McNARY]—that the Senate proceed to the consideration of House bill 7424, to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes. It is Calendar No. 1865. I heard what the Senator from Oregon said when consideration of a previous bill was asked. My regard for the Senator is such that I would not insist unduly on my motion if the Senator from Oregon feels that the proposed legislation should go over to the next session, and therefore feels that he would be justified in objecting to the Senate considering it now. I will say to the Senator that the bill contains several amendments, and, therefore, it would have to go to the House for further consideration. It would not do to pass the bill without one of the amendments. There is some objection to another amendment which I shall be glad to move to strike out. There may be other objections to the bill. I am trying to be frank with the Senator from Oregon in saying that I wish to discharge my duty by moving that the Senate proceed to the consideration of the proposed legislation, and if the Senator objects I shall not insist upon the motion.

Mr. McNARY. Mr. President, I am delighted at the courtesy shown me by the distinguished Senator from North Carolina. I discussed the matter with the Senator some weeks ago, and recently with the able Senator from Maryland [Mr. RADCLIFFE]. I thought at the time it was understood that the bill would go back to the Committee on Commerce, of which the Senator from North Carolina is chairman, and be considered early in the next session of the Congress. There is some opposition to the bill. As a member of the committee, I have received telegrams concerning the bill. In view of the fact that amendments to the bill must be considered by the House, it could not be passed by the House at this time. Personally, I think it should be returned to the Committee on Commerce for further consideration.

Mr. BAILEY. It is a House bill. It came to the Senate, and was referred to the Committee on Commerce. It was reported from the committee to the Senate, and then upon my motion was recommitted to the committee, and has now again been reported to the Senate.

Mr. McNARY. Yes, and it now contains language which would have to be considered by the House.

Mr. BAILEY. Yes. There is one amendment which would have to go to the House for its consideration.

Mr. McNARY. Mr. President, I think that measure falls within the rule for my personal action, which I attempted to promulgate. The Senator from North Carolina places me in an embarrassing position by moving to take the bill up for consideration, which he has a right to do, and I have not control over that. If the Senator had asked unanimous consent for consideration of the bill I should have politely objected. I shall object if the Senator puts the matter in the form of a unanimous-consent request, because I know the bill cannot be passed by the House at this session. I think it should be further considered by the committee.

Mr. BAILEY. Mr. President, I said I would not press my motion if the Senator from Oregon should object, and I think the Senator has objected. Now I take it the bill can go over. I dislike to delay.

Mr. McNARY. I do also.

Mr. BAILEY. But I am not prepared to say that delay would be fatal.

Mr. McNARY. Mr. President, I regret the delay in many ways, but I think that by reason of delay better provisions will come out than are now contained in the bill. I shall cooperate with the able Senator from North Carolina to have early consideration of the measure on the floor, and I am sure we can get the assistance of our very distinguished majority leader to help us in January.

Mr. BAILEY. I would insist on my motion, Mr. President, but for the fact that the bill contains an amendment which must go to the House. I agree that the position taken by the Senator from Oregon is reasonable, and I have really no objection to the measure going over. So I shall withdraw the motion.

Calendar No. 57

78TH CONGRESS, 1st Session | SENATE | REPORT No. 62

CLARIFYING MERCHANT MARINE LAWS

FEBRUARY 22, 1943.—Ordered to be printed

Mr. RADCLIFFE, from the Committee on Commerce, submitted the following

REPORT

[To accompany H. R. 133]

The Committee on Commerce, to whom was referred the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having considered the same, report thereon with amendments, and recommend that the bill as amended do pass.

The amendments are as follows, and are indicated by line type and italic in the bill as reported:

Page 4, at the end of line 3, insert the following:

In cases of claims referred to in clauses (2) and (3) hereof asserted against the Administrator, War Shipping Administration, or any agent of the Administrator, if the claim is settled, adjusted, or paid without suit, the aggregate fee to attorneys or agents on account of legal or other similar services rendered in connection with the claim shall not exceed $100 except that the Administrator may approve an aggregate fee not in excess of $250 when he deems such services to be of an extraordinary character, and if judgment or decree is rendered in favor of the claimant in a suit based upon such claim or a compromise of such suit is effected, the aggregate fee or payment shall not exceed such reasonable amount as the court may approve which shall not be more than 20 per centum of the amount recovered. Before the payment of any such claim or judgment or decree, the attorney or agent of the claimant shall, if required by the Administrator, file an affidavit or affidavits of the attorney, agent, or the recipient or beneficiary in such form and manner as the Administrator may prescribe, showing that the aggregate fee in respect of such claim or suit does not exceed the maximum herein specified or the amount approved by the court or the Administrator, as the case may be.

Page 10, line 19, strike out "owned by citizens of the United States".

Page 10, line 22 through line 25, and page 11, line 1 through line 4, strike out the sentence beginning in line 22, page 10, and ending in line 4, page 11.

EXPLANATION OF AMENDMENTS

The first committee amendment would prescribe limitations on attorneys' fees in the prosecution and enforcement of claims and suits thereon against the War Shipping Administrator or any of his agents on account of death, injury, illness, maintenance and cure, loss of effects, detention, or repatriation, wages, allotments, and so forth, on behalf of seamen (or their dependents) who are employees of the United States through the War Shipping Administration. In case the claim is settled without suit, the fee for legal services may not exceed $100 except that the War Shipping Administrator may approve a fee not in excess of $250 in extraordinary cases. If a judgment or decree is secured in favor of the claimant in a suit on the claim, or a compromise of the suit is effected, the attorneys' fees shall not exceed such reasonable amount as the court may approve, in no event to be more than 20 percent of the amount recovered. The amendment further requires that before payment of such claim or judgment the attorney or agent of the claimant, if required by the War Shipping Administrator, shall file an affidavit or affidavits, showing that the aggregate fee or payment does not exceed the maximum specified in the measure or approved pursuant thereto by the court or the Administrator.

By the second amendment the requirement in respect of the exercise of the authority to convert requisition of title to a vessel into a requisition of the use thereof, to the effect that such action shall be taken, in the case of vessel owned by citizens of the United States, within 2 months after the delivery of the vessel under the original requisition of title unless the owner consents is made applicable to any vessel, whether domestic or foreign.

The third amendment would delete the last sentence of section 3 (b) relating to the authority to convert title requisition to use requisition in cases where foreign vessels have been lost or destroyed or converted to military or naval use by the United States. It is contemplated that this provision will be the subject of separate committee consideration.

GENERAL STATEMENT

The bill H. R. 133 is a reintroduction of the bill H. R. 7424, Seventy-seventh Congress, in the form in which it was reported favorably by your committee with certain amendments on December 4, 1942 (S. Rept. No. 1813), with certain other changes hereinafter noted. Because of the imminent adjournment of Congress (December 16, 1942) the bill was not pressed for consideration in the Senate.

THE NEED FOR LEGISLATION

The need for legislation arises out of the problems that have developed in the operation of our merchant marine. The administration of laws relating to the operation, acquisition, use, and allocation of ocean vessels under the flag or control of the United States is vested in the Administrator, War Shipping Administration.

The action of the President in vesting control over this entire fleet and of all other merchant vessels in the War Shipping Administration represents the policy of concentrating in one civilian agency full power

to control, coordinate, and manage the operation of oceangoing transportation facilities of the Nation. Such operation encompasses all phases of the enterprise including repairing, manning, loading, discharging, supplying, and insurance services.

In order to effectively discharge his responsibilities, the War Shipping Administrator on April 19, 1942, gave notice of general requisition of all oceangoing vessels and is now operating as owner or under requisition charters, bare-boat charters, or time charters, most of the merchant marine of the United States. The size of this fleet and the magnitude of its operations is rapidly expanding. These operations involve all the difficulties inherent in shipping operations and related activities together with the complications arising from wartime duties placed on the Administration with respect to regulatory, economic, and strategic, and other matters affecting wartime shipping.

The Administration also performs many other functions in the war effort. It has been vested with full power to coordinate and centralize the foreign-freight forwarding activities of Government agencies and private organizations, with the regulation of rates, routes, and cargoes for American and foreign shipping under the ship warrants law, the furnishing of marine and war-risk insurance for vessels, cargo, and seamen, the procurement of merchant vessels for the armed services, the requisition of idle foreign-flag tonnage, the acquisition of either domestic or foreign vessels necessary for the war effort, and the training of replacements and new personnel for the merchant marine.

In addition to its operating and economic functions, the War Shipping Administration has specific control over the allocation of vessels or space therein to all claimants for shipping space. Since the Administration is not itself a claimant for shipping space, it is in a position to administer the controlling policies as applied to the various and often conflicting demands upon our inadequate merchant marine with impartiality. Under this arrangement no one agency is placed in the untenable position of judging the validity of its own claim for shipping space as against the claim of any other agency or any Allied Government. By use of its power to administer space-utilization policies on all vessels under its control, the Administrator may insist upon and secure mixing of cargoes of the various shipping agencies so as to obtain maximum utilization of the deadweight and cubic capacity of all vessels with resulting economy in ship space. The idea of a single fluid pool of shipping also permits maximum flexibility in the assignment of ships so as to achieve the highest degree of efficiency and utilization of the special characteristics of each vessel in regard to speed, equipment, and other features. It also makes possible more efficient planning of terminal and port activities and permits full utilization of the facilities, managerial skill, and operating technique of established private organizations with resulting increase in efficiency which otherwise would be lost to the war effort. By control over routing of all such vessels further efficiency is obtained.

The Administrator, in the conduct of his duties and functions, makes very extensive use of the private organizations, including those engaged in merchant marine insurance and related activities, steamship operators, stevedore and terminal facilities, freight forwarders, and freight brokers and agents. Special skill, knowledge, and experience are made

available in this manner for use in the integrated war effort. This development confirms the wisdom of the congressional policy in the recent years of stimulating and assisting the development of such private merchant marine and insurance facilities at substantial Government cost. The policy has permitted a quick change-over from peacetime to wartime operations of the entire merchant marine without any substantial loss of efficiency or impairment of morale.

The vessels owned by the War Shipping Administration or under bare-boat charter to it are operated by experienced steamship companies as general agents for the Administrator under supervision and direction of the Administrator's staff which includes many officials drawn from the industry. The agreements between the Administrator and the general agents specifically provide that the general agent shall procure and make available officers and crews for War Shipping Administration vessels—

> through the usual channels and in accordance with the customary practices of commercial operators and upon the terms and conditions prevailing in the particular service or services in which the vessels are to be operated from time to time.

The intention of this provision is to authorize the general agent to procure his seagoing personnel through his customary channels in cases where the general agent had previously operated under union contracts. This provision also avoids favoritism as to conditions between one general agent and another or as between one union and another.

In the exercise of its various functions and in the conduct of its activities, the War Shipping Administration in general is authorized to operate with the powers of a business or a commercial organization under the provisions of the Merchant Marine Act, 1936. These activities are so broad and so manifold and the need for emergency action is so great that the Administrator cannot function with the usual restrictions applicable to Government agencies. This is particularly true with respect to activities carried on in foreign countries where compliance with restrictions applicable to continental activities cannot be observed. In section 207 of the Merchant Marine Act, 1936, Congress provided that the Maritime Commission may enter into such contracts upon behalf of the United States, and may make such disbursements as may, in its discretions be necessary to carry on the activities authorized by this act, or to protect, preserve, or improve the collateral held by the Commission to secure indebtedness, in the same manner that a private corporation may contract within the scope of the authority conferred by its charter. The Administrator, War Shipping Administration, in exercising all of his functions, duties, and powers, operates with like authority under these provisions of the Merchant Marine Act, 1936, and other applicable laws. Additional flexibility is obtained through the Suits in Admiralty Act, which furnishes authority for the settlement or compromise by the Administrator of claims arising out of the operation of the merchant or public vessels under his control.

PARTICULAR PROBLEMS REQUIRING LEGISLATION

There are special problems, particularly those relating to labor, requisitioning, and insurance, as to which it seems desirable, as a matter of policy, notwithstanding the scope of existing statutory

authority, to reaffirm and clarify existing authority, and in some cases to extend the powers of the Administrator.

The specific difficulties with which the War Shipping Administration is confronted are very technical in nature but not very broad in scope.

Problems arising out of Government employee status of seamen.—Various difficulties have arisen with respect to the benefits and remedies for seamen employed by, or on behalf of, the War Shipping Administration on vessels owned or bare-boat chartered by it. These questions arise because of a technical status of such seamen as employees of the United States by virtue of their employment through the War Shipping Administration for service on such vessels.

Because of this fact the Administrator has not been able under existing law to carry out entirely his intended policy of maintaining the peacetime status of seamen insofar as seamen's rights to compensation for injuries, and so forth, wage credits toward social-security benefits, and various other benefits which seamen have enjoyed and to which they are entitled. The purpose of section 1 of the bill is to correct the situation so as to permit the complete extension into this area of the basic policy of maintaining the private status of merchant seamen for the duration of the war.

Seamen employed as Government employees on vessels owned by, or bareboat-chartered to, the War Shipping Administration are sometimes precluded from enforcing against the United States the rights and benefits in case of death, injury, illness, detention, and so on that would be available to them if employed by private employers, except under the Suits in Admiralty Act. If they were private employees, rights to redress for death, injury, or illness could be prosecuted under the Jones Act and the general maritime law. These same rights may be asserted against the United States as the employer under the Suits in Admiralty Act providing the vessel involved is a merchant vessel. In case of public vessels the seaman must rely for compensation upon the Administrator's policy recognizing contractual liability which this legislation recognizes. Present-day operating conditions often make uncertain in some cases whether the vessel is a merchant or a public vessel. As a consequence, even though the vessels are generally merchant vessels and not public vessels, there are some cases in which the aforementioned rights of such seamen are in doubt. In addition to these rights which, at times, are uncertain for the reasons mentioned, the seamen who are employees of the United States probably have rights under the United States Employees' Compensation Act in the event of injury or death. Such compensation benefits are not presently enjoyed by seamen under private employment. Thus vital differences in these rights are made to depend upon whether the seaman happens to be employed aboard a vessel time-chartered to the War Shipping Administration or owned by or bareboat-chartered to the War Shipping Administration. Since seamen constantly change from one vessel to another, their rights for death, injury, or illness also constantly change, depending upon the relationship of the War Shipping Administration to the vessel. This fluctuation and lack of uniformity of rights leads to dependency of vital rights upon chance with a result of confusion and inequities. The bill is designed to remove this confusion and these inequities. The bill does not affect seamen employed on vessels time-chartered to the War Shipping Administra-

tion where the vessels are supplied with crews employed by the company from which the vessel is chartered. As to them their status and the status of the Government employees mentioned will be made uniform.

Furthermore, these seamen who are Government employees are theoretically subject to the Civil Service Retirement Act, yet they are actually exempt for the time being because of an Executive order excluding employees engaged in certain types of services. Employees of private companies earn credits toward benefits of the old-age and survivors' insurance provisions of the Social Security Act. Under the present laws seamen who are Government employees through employment by the War Shipping Administration do not have rights under either the Civil Service Retirement Act nor is their employment covered under the Social Security Act.

Insurance protection for seamen.—Another problem primarily affecting seamen and their dependents is the need of providing more complete protection to seamen and their dependents in case of loss of life or bodily injury to such seamen. Notwithstanding the apparent intent of Congress to provide adequate insurance protection under the revision to the War Risk Insurance Act approved April 11, 1942 (Public Law 523, 77th Cong.), it appears that amendment is necessary to avoid the danger of a denial of insurance benefits in cases of death or injury arising from war conditions not within the strict interpretation of "war risks." That term was, of course, not intended to be construed in its most limited and technical sense but rather as commonly understood to cover all risks arising out of the war.

The Administrator of War Shipping Administration has authority to make retroactive adjustments in wages, bonuses, war-risk compensation, and other matters covered by determinations of the Maritime War Emergency Board, or otherwise within his powers. It is believed that he also has power to make retroactive provisions for "marine" insurance to cover risks arising out of the war which for humanitarian purposes should be compensated for as war risks rather than marine risks. However, in view of the large amounts involved in this type of retroactive provision of insurance, it is felt desirable that the matter should be covered by an express provision of law.

It is intended by section 2 to cover cases of vessels captured by enemy powers at a time when adequate insurance provision against death, injury, detention, or other war risks had not been provided, vessels which have been lost for reasons unknown or principally because of developments arising from the war, vessels which are only partially insured because of limitations of the insurance market or established practices and various other special cases where relief is needed to achieve justice and equity.

It appears to the committee to be highly desirable to make retroactive provision for these cases because of the unreasonable hardship on seamen and dependents, which in fact arose from the restricted type of insurance coverage then available, misunderstandings of legal rights, emergencies, or oversights. The Administrator would be authorized to provide such insurance substantially under the circumstances which would be covered in respect of insurance issued under subsection (a) of section 2, and only if the Administrator finds that such action is required to make equitable provision for such casualty.

Other insurance problems.—Some gaps in the technical coverage of the War Risk Insurance Act with respect to certain classes of vessels, certain types of risk, or certain Government interests, direct or indirect, require remedial attention in the interest of effective conduct of shipping and related activities during the war. Some problems of procedure in the administration and in the conduct of litigation under the War Risk Insurance Act have become apparent and should be remedied to avoid serious difficulty. These problems are covered by amendments to the War Risk Insurance Act in subsections (e) to (k) of section 3. It appears that, especially in those cases where the War Shipping Administration provides war-risk insurance on cargoes at noncommercial rates in connection with the price-control program of the Office of Price Administration, insurance has been and should be made available through existing commercial channels, by means of appointment of existing insurance companies as underwriting agents for the issuance of direct policies rather than by means of reinsurance.

Reinsurance, particularly in the marine field, becomes increasingly necessary, and such reinsurance would embrace an entire field of insurance, not isolated situations. The limitation on allowances to the original insurer stultifies the use of reinsurance since it is insufficient to cover the cost of doing business by the underwriters requesting reinsurance. The services of such underwriters can be obtained at a very moderate cost and without substantial profit. To make use of their facilities would be in the best interest of the Government. They perform many important functions, including not only the preparation and issuance of the policies but the handling of claims, adjustments, inspections and numerous other activities, which, unless performed by such underwriters, would have to be undertaken by the Government itself. This involves increased expenses with substantial loss of efficiency.

Under section 224 of the War Risk Insurance Act, other departments and agencies of the United States can procure insurance from the War Shipping Administration to cover war risks and thereby make use of the existing insurance organization in War Shipping Administration. The act, however, does not specifically embrace marine risks. There are cases in which it would be desirable for Government agencies to procure such insurance service for marine risks on vessels in which the United States has an interest.

With respect to war-risk insurance, particularly insurance upon the lives of officers and members of crews, claims of several claimants may be asserted raising conflicting interests. Determination in a single suit of the rights of all persons in interest is desirable. For example, the situation may arise where administrative officers do not acknowledge any indebtedness under a policy, but there is doubt as to which of two or more persons is entitled to collect if any indebtedness has in fact arisen. In other cases the indebtedness of the United States may be acknowledged, but there may be such doubt as to who is entitled to collect that it is unsafe for the Government to make payment without a judicial determination. An amendment would provide machinery whereby all conflicting claimants would be brought into the litigation, or if necessary, litigation might be initiated through an action in the nature of a bill of interpleader.

In view of this and other changes being effected in the scope of the Administrator's war-risk insurance powers, it should be noted that

none of these changes are intended to subject the Administrator to any restrictions applicable to commercial insurance companies with respect to designation of beneficiaries, and State laws governing devolution of property or insurance proceeds. The Administrator has full authority under the law to establish rules and regulations on these points, and such rules and regulations governing this essential Federal authority have control irrespective of conflicting local laws. Obviously, it would be impossible to provide insurance in this complicated maritime field for seamen and other interests without such complete freedom from restrictions. This arrangement also permits simplicity and administrative uniformity, and equitable treatment for all persons interested in insurance proceeds, and avoids complications, delays, and other difficulties which might interfere with the most effective prosecution of the war. Although the Administrator has all of the powers of a private insurer as to contracts, waivers, lapse, estoppel, and defaults, he retains freedom from State regulations applicable to private insurers.

For the purposes of the War Risk Insurance Act, the term "risks of war" should be defined in such a manner as to clarify the authority to provide war-risk insurance for all risks arising out of the war which are not covered by marine insurance available commercially. If the private market narrows the scope of its insurance coverage, the Administration should be able to cover so much of the abandoned coverage as may be necessary to carry on needed shipping.

Difficulties have been encountered in procuring the necessary insurance protection for companies performing services or providing facilities for vessels, especially in the case of ship repairs. An amendment would authorize the War Shipping Administration to provide such insurance or reinsurance against legal liabilities of such companies in connection with such services and facilities. It is believed that under section 10 of the Merchant Marine Act, 1920, the War Shipping Administration has authority to provide insurance for this type in all cases involving vessels in which the Government has an interest. The legislation is therefore in part merely a reaffirmation and clarification of existing law.

It has always been assumed that the agents do not have a liability which is separate or independent of that of the vessel owner or charterer. The recent determination of the Supreme Court of the United States in *Margaret M. Brady* v. *Roosevelt Steamship Company, Inc.* (No. 269, October term, 1942, January 18, 1943), holds that there is such an independent liability in certain cases. At the present time the War Shipping Administration may provide insurance for the interests of the owners or charterers of the vessels. The right to include the interests of agents is not specifically mentioned in the law but is believed to be implied therein. In view of the agent's independent liability in some cases it is desirable to amend section 3 (b) of Public, 101 (77th Cong.), to specifically include agents among those entitled to coverage under the Administration's insurance powers.

The War Shipping Administration has authority under section 4 of Public, 101 (77th Cong.), to charter and operate vessels owned, requisitioned, or chartered by it. This authority extends to immobilized vessels taken over under Public, 101, vessels chartered under section 3 (a) of Public, 101, vessels purchased under section 4 of Public, 101, and also vessels requisitioned under section 902 of the

Merchant Marine Act, 1936, for title or use, as well as vessels constructed by the Maritime Commission. Provision is made for the insurance of the first three classes of vessels named by section 2 of Public, 101, but there is some doubt whether insurance can be provided under that section with respect to vessels in the other classes described. It is clear that the insurance provisions of section 3 (b) should be made as extensive as the operations and charter provisions of section 4.

Vessel-requisition problems.—Various procedural problems have also become apparent in connection with the administration of the ship-requisition law, particularly section 902 of the Merchant Marine Act, 1936, as amended, and Public Law 101 of the Seventy-seventh Congress. It has been necessary in the administration of section 1 of Public Law 101 to make deposits "on account of" just compensation for requisitioned vessels before a final determination as to the amount of just compensation for such vessel. American creditors often hold encumbrances on these vessels which are, of course, owned by foreign citizens. The advance payments place the American lienors and other claimants in a position to proceed with the prosecution of their claims without awaiting the final determination as to just compensation to the owners which may take many months or even years. The existing law, however, does not expressly provide for such deposits on account and the right to make such payments has been challenged. The amendment in section 3 (a) would confirm the authority to make such payments and avoid controversies concerning them. The amendment would also help to clarify the procedure applicable to the enforcement of claims of the creditors and will expedite collections of claims by American creditors.

In the operation of section 902 of the Merchant Marine Act, 1936, as amended, and the act of June 6, 1941, situations arise in which, following a requisition of title, it appears that the ownership of the vessel is not required by the United States. Subsection (a) of section 902 of the 1936 act directs that in such a situation the vessel be restored to the owner when its use is terminated, and requires that upon restoration it must be in as good condition as when taken, less ordinary wear and tear, or that an allowance for reconditioning be made. As enacted in 1936, this provision described such a situation as one in which "a vessel [is] taken and used, but not purchased." Since throughout the subsection the words "taken" and "taking" uniformly refer to a requisition of title in contradistinction to a requisition of use, the word "purchase" in the quoted phrase evidently referred to the ultimate consummation of the transaction. The act of August 7, 1939 (53 Stat. 1254, 1255), revised the language to describe the situation as one in which "any property is taken and used under authority of this section, but the ownership thereof is not required by the United States." Thus the present law, although it specifically provides for converting a requisition of title into a requisition of use, does not satisfactorily specify how it is to be determined after a requisition of title that the ownership is not required by the United States, how such a determination is to be manifested, nor whether the determination may still be made after full compensation for the title has been paid. Since section 1 of the act of June 6, 1941 (Public, 101, 77th Cong.), incorporates by reference the compensation provisions of section 902, the problems are the same when a like situation arises

after a vessel has been taken pursuant to that act. Provision is made in section 3 (b) to clarify these situations.

It is highly desirable to clarify the requisitioning procedure under section 902 of the 1936 act in cases where there are valid liens and encumbrances against the requisitioned vessel. Specific provision to cover similar cases was made in section 1 of the act of June 6, 1941, relating to requisition of foreign-flag vessels lying idle in ports of the United States. The 1936 act has no specific provisions of similar nature on this subject, and it seems highly desirable that comparable provisions should be provided in section 902 of the 1936 act to protect lien claimants in cases where American vessels are requisitioned under that act.

An amendment should provide a uniform procedure in connection with the deposit of compensation and the enforcement of liens and encumbrances against the vessels out of the compensation fund in similar manner under both the 1936 act and the act of June 6, 1941.

The bill does not contain amendment to section 902 (a) of the Merchant Marine Act, 1936, as proposed by your committee in its Senate Report No. 1813 on H. R. 7424. The proposed amendment to section 902 (a) was designed to clarify the application of that section in payment of just compensation for requisitioned vessels, in view of a recent opinion of the Comptroller General with respect to the interpretation of the enhancement clause in that section. Without any change of position as to this question, it has been determined that the matter of such an amendment should be considered by this committee as a separate matter after full hearing permits adequate consideration of all pertinent factors.

Other problems.—It is the opinion of the War Shipping Administration counsel that the United States and its agents are entitled to limit liability with respect to cargo or otherwise in the same manner as owners of commercial vessels. This conclusion, however, has been questioned by some, and the enactment of section 4 would eliminate any doubt. Since cargo is invariably insured, section 4 for all practical purposes is not intended to protect against shippers' claims but against claims of cargo underwriters whose premiums are based on the assumed right of the carrier to limit liability in such cases. Such a provision would therefore be entirely equitable to all concerned.

Section 5 of this bill is a miscellaneous section, setting forth the appropriate effective dates of the various provisions of the bill and with respect to social-security taxes ratifying and confirming the validity of past payments of such taxes.

The operation of vessels for the account of the United States through the War Shipping Administration raises the general question of immunity from payment of Federal taxes in respect of the operations and activities of the War Shipping Administration in the management of the merchant fleet. The War Shipping Administration has generally the powers of a business or commercial organization in the operation of the fleet, and apparently, under its existing powers, has the right to make the payment of these taxes and to waive governmental immunity. The administrative costs in setting up the immunity from Federal taxation, however, constitute in fact only an additional expense to the United States because the United States collects the taxes in any event. In order to avoid expensive and unnecessary controversy, it seems desirable to expressly provide in

the law that the War Shipping Administration shall not be required to assert this immunity from payment of Federal taxes.

PROVISIONS OF THE BILL BY SECTIONS

The original bill was submitted to the Bureau of the Budget and, by it, referred to various Government agencies concerned. These agencies made several suggestions as to clarifying amendments to better carry out the basic purposes of the measure. These suggestions were embodied in the bill H. R. 7424. The entire bill was carefully reviewed by, and has the approval of, the Justice Department which is directly interested in all of the provisions of the measure. Section 1 of the bill, relating to rights and remedies of seamen employed as Government employees by War Shipping Administration, was worked out in consultation with the Department of Justice, the Treasury Department, the War Department, the Federal Security Agency, the United States Employees' Compensation Commission, and the Civil Service Commission.

The provisions of section 1.—Section 1 would provide that officers and crew members who are employed on behalf of the United States through the War Shipping Administration on the same basis as seamen in private employment with respect to rights, benefits, and privileges in connection with employment, particularly in case of death, injury, or other casualty. Under the bill, these employees of the War Shipping Administration will have the seaman's right to wages, maintenance, and cure, in case of illness or injury in the ship's service. They will have the benefits of the Public Health Service, including marine hospitals, like other seamen. They will have old-age and survivors' insurance under the Social Security Act. They will continue to have the right to indemnity through court action for injury resulting from unseaworthiness of the vessel or defects in vessel appliances, and they (and their dependents) will have the right to action under the Jones Act (1920) for injury or death resulting from negligence of the employer. Such seamen will have the right to enforce claims for these benefits according to the procedure of the Suits in Admiralty Act, except that claims with respect to social-security benefits shall be prosecuted in accordance with the procedure provided in the social-security law. The seamen and their dependents or beneficiaries will have the protection of war-risk insurance at the employer's expense in accordance with the decisions of the Maritime War Emergency Board as required for all privately employed seamen.

The basic scope and philosophy of the measure is to preserve private rights of seamen while utilizing the merchant marine to the utmost for public wartime benefit. Except in rare cases the ships themselves are being operated as merchant vessels, and are therefore subject to the Suits in Admiralty Act in all respects. Granting seamen rights to sue under that act is therefore entirely consistent with the underlying pattern of the measure. This should follow even in the extraordinary case where vessels might otherwise technically be classed as public vessels.

It has also been the fixed policy of the War Shipping Administration as far as possible to treat claims for injury, illness, death, and so forth, relating to seamen who are employed aboard vessels that might be classified technically as public vessels in the same manner as such

claims relating to seamen who are employed aboard merchant vessels are treated. At the time they accept employment aboard a vessel, seamen, of course, are not in possession of necessary information or knowledge to determine whether the vessel is technically a merchant vessel or a public vessel. Furthermore, in view of the niceties of this legal question, it would be unreasonable to expect that they would be able to make such a determination even if they were in possession of such information and knowledge. Accordingly, these seamen expect that they will have the same substantive rights in the event of injury, illness, death, and so forth, irrespective of whether the vessel is a merchant vessel or technically is a public vessel. The War Shipping Administration has recognized this understanding on the part of the seamen and has treated the same as being included in the contract of employment. In discharge of this contractual obligation the Administration has properly adjusted claims with respect to seamen who have suffered injury, illness, or death aboard vessels that might be technically classified as public vessels in the same manner as if such seamen were employed aboard merchant vessels.

It is the spirit and intent of section 1 to avoid possibilities of double recovery which might otherwise arise if a seaman pursued his rights under section 1 and then attempted to pursue comparable rights or such recovery for the same or similar events under other law or provision; and, on the other hand, which might arise with respect to retroactive rights which the claimant elects to pursue as if section 1 was in effect at the time of accrual of the claim.

The effect of this legislation is to eliminate the danger that seamen may recover both against the Federal employees' compensation fund and under his statutory or common-law remedies for the same injury. Such double recovery has been avoided in the past by administrative and judicial action which this legislation will serve to confirm. This legislation, however, does not eliminate danger of double recovery in connection with payments made under benefits provided by decrees of the Maritime War Emergency Board in all cases. The committee understands that that Board is giving consideration to and will undertake to adopt appropriate safeguards so that duplicate payment of benefits to seamen for the same injury or casualty through the operation of their benefits and through the benefits provided for under this legislation will be avoided.

It is in line with the policy of avoiding confusion and duplication that specific reference is made for the exclusion of seamen employees of the United States from coverage under certain statutes which otherwise would in some cases at least apply to them. These seamen employees would not be covered under the Civil Service Retirement Act. Their Government employment is temporary and, as private employees, they have the old-age benefits of the Social Security Act. They are not to be covered under the United States Employees' Compensation Act because they and their dependents have the right to sue for indemnity or damages under the Jones Act in case of death or injury, and they and their beneficiaries have the protection of Government war-risk insurance. This eliminates the danger that seamen might recover both against the Federal employees' compensation fund and under statutory or common-law remedies for the same injury. They would be excluded from coverage under Public Law 490 (77th Cong.), which provides pay and allowances for missing

and interned employees of the United States. Comparable benefits are provided for seamen and their dependents under the requirements of the Maritime War Emergency Board. They are not to be covered under Public, 784 (77th Cong.), which provides war-casualty compensation and detention payments for contract employees of the United States serving outside the United States. The seamen in question are protected under the right to sue for indemnity or damages and under the war-risk-insurance coverage.

At the end of subsection (a) of section 1 there appeared in the bill (H. R. 7424) a provision vesting in the President the authority to extend to seamen, under certain conditions, benefits of the United States Employees Compensation Act. In view of certain objections expressed to this provision before the Senate Commerce Committee, it is omitted from this bill in order to permit further consideration of the matter involved.

The provisions of section 1 are made applicable with respect to rights and claims which may have accrued prior to the enactment of the bill. Any claim or action of the seaman employee accruing on or after October 1, 1941, and prior to the enactment of the measure may be enforced, upon election to do so, in accordance with the provisions of section 1 as if it had been law when the claim or action accrued.

In exercising this option the claimant would, of course, accept the incidental consequences of such election, would be prevented from proceeding to secure double recovery under other procedure without regard to section 1, and would be bound by the applicable statutes or principles of limitations.

Inasmuch as certain vessel operations on account of the Government were undertaken prior to the establishment of the War Shipping Administration by or through the Maritime Commission, the provisions of section 1 and all amendments therein are made applicable to the United States Maritime Commission with respect to the period beginning October 1, 1941, to the time of taking office of the Administrator, War Shipping Administration (February 11, 1942). To avoid administrative confusion and uncertainty as to the exact status of employment of seamen employed on War Shipping Administration vessels, it is provided that seamen employed through that agency shall be included under the provisions of section 1 even though the seamen may be employed on a vessel chartered or made available to another department or agency of the United States for purposes of convenience in the war effort.

All seamen are included in such provision without regard to their nationality or the flag of the vessel on which they are serving so long as their employment is by or on behalf of the United States through the War Shipping Administration. Their rights and benefits with respect to the matters specified are to be determined under law which is applicable to citizens of the United States employed as seamen on privately owned and operated American vessels.

Witb respect to seamen on foreign-flag vessels, the remedy provided by this legislation is, of course, in substitution for remedies that might exist under the laws of a country in which the vessel may be documented, and seamen proceeding under this section by such choice of remedies will have waived benefits under laws of any other country that might otherwise be available.

The provision of the Suits in Admiralty Act that suit lies thereunder only if the ship involved is employed as a merchant vessel or a tugboat is waived for the purposes of section 1 so that the claim may be enforced regardless of the nature of the vessel on which the seaman is serving as an employee of the War Shipping Administration. To prevent unnecessary or premature litigation against the United States, it is required that before suit there shall be an administrative disallowance of the same in accord with rules or regulations to be prescribed by the Administrator, War Shipping Administration.

The specific amendments to existing law necessary to implement the policy to continue or reinstate seamen employees of the War Shipping Administration under the old-age and survivors' insurance provisions of the Social Security Act are contained in subsection (b) (1), (2), (3), and (4) of section 1. These are amendments to section 1426 of the Internal Revenue Code and section 209 of the Social Security Act. Coverage under the old-age benefits would be retroactive to October 1, 1941, subject to adjustment where the employees' tax for the employment period had not been paid.

Under these amendments, coverage under the old-age benefits would be retroactive in respect of Government service performed on or after October 1, 1941, subject to adjustment where a seaman had employment after October 1, 1941, and prior to the date of enactment of the measure and such seaman has not paid up the employee's tax for such period. However, in some cases employer's tax and deductions of employee's tax have been made during this past period notwithstanding the fact that such employment was not technically subject to coverage under the old-age and survivors' benefits title of the Social Security Act and the corresponding tax law. The retroactive provisions will confirm such past payments and deductions and provide for uniform application of the law not only for the future but during the transition period.

Subsection (d) of section 1 would expressly provide that the War Shipping Administration and its agents may, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies, thus confirming existing authority.

The provisions of section 2.—Section 2 of the bill would amend the War Risk Insurance Act (Public Law 523, 77th Cong.) to authorize insurance to be provided for officers and members of crews not only against disability, detention, or death arising from war risks but also any risk ordinarily considered a marine risk but in fact arising directly or indirectly out of war conditions, and would provide retroactive coverage for casualties to vessels and their crews occurring in the first part of the war and just prior to the beginning of the war. The amendment is designed to give complete protection to seamen and their dependents or beneficiaries during the time of war on privately operated or Government operated vessels. Several deserving cases arose from the early casualties and the retroactive coverage would prevent discrimination against and unreasonable hardship for these seamen and their dependents arising from the restricted type of insurance available at the time, misunderstandings of legal rights, oversights, or emergencies. The amendment to the Insurance Act would authorize the insurance of officers and members of crews of vessels and other persons transported thereon against death, injury, or detention arising from marine risks to the extent determined to

be necessary or desirable and would expressly authorize such insurance benefits to be furnished on a similar basis to cover cases involving injury, death, or other casualty to seamen on vessels operated by the Maritime Commission or War Shipping Administration arising during the period beginning October 1, 1941, and before the enactment of the bill.

It appears to the committee to be highly desirable to make retroactive provision for these cases because of the unreasonable hardship on seamen and dependents, which in fact arose from the restricted type of insurance coverage then available, misunderstandings of legal rights, emergencies, or oversights. The Administrator would be authorized to provide such insurance substantially under the circumstances which would be covered in respect of insurance issued under subsection (a) of section 2, and only if the Administrator finds that such action is required to make equitable provision for such casualty. Any funds paid under retroactive insurance placed in effect under this subsection would be applied in pro tanto satisfaction of claims against the United States arising from the same loss or injury.

The provisions of section 3 (a), (b), (c), and (d).—The first four subsections of section 3 are designed to improve the administration of the requisition laws (sec. 902 of the Merchant Marine Act, 1936, and Public Law 101, 77th Cong.). This bill does not contain the amendment heretofore proposed by your committee in its report of December 4, 1942, on the bill H. R. 7424 (S. Rept. 1813). This problem of just compensation and the enhancement clause has been left for separate consideration.

Subsection (a) of section 3 would make it clear that, confirming existing practice, partial deposits may be made with the Treasurer of the United States on account of just compensation in order to facilitate the payment of valid claims of American creditors against the requisitioned vessel.

Subsection (b) of section 3 would clarify and prescribe standards to be followed in case of a requisition of title when it subsequently appears that the ownership of the vessel is not required by the United States. There are cases where title requisition has been necessary in order to get control of the vessel even though it later develops that use, and not ownership, is required. The cases have involved primarily small-boat acquisition for auxiliary naval or military purposes and acquisition of vessels in foreign ports or for diplomatic or governmental reasons. Subsection (b) would require that any contemplated conversion of title requisition to use requisition be made prior to payment in full, or payment of 75 percent, of just compensation therefor, and would require that the determination be published in the Federal Register. It is also provided (as proposed by your committee by amendment to H. R. 7424, the predecessor bill) that no determination to change title requisition to use requisition be made in case of a vessel owned by a citizen of the United States, after 2 months following delivery of the vessel under title requisition, unless consent of the owner is had. By the second committee amendment this provision would be made applicable in cases of any vessel, American or otherwise.

The subsection also provides (as proposed by your committee by a further amendment to H. R. 7424), in accord with a suggestion of the State Department, that the War Shipping Administration, upon

recommendation of the Secretary of State, may change title requisition to use requisition where a foreign vessel has been lost or destroyed or converted to military or naval use by the United States. This provision would be deleted for separate consideration under the third committee amendment.

Subsection (c) of section 3 specifically makes it the duty of officers and agents of a court having possession of a requisitioned vessel, to comply with the order of requisitioning and transfer custody upon the filing of a certified copy of the requisition order with the court.

Subsection (d) of section 3, amending section 902 (d) of the Merchant Marine Act, 1936, by adding a paragraph, sets forth a procedure for the handling of valid liens and encumbrances against requisitioned American-owned vessels. This procedure is similar to that worked out by your committee in the case of foreign vessels under the Foreign Vessels Requisition Act (Public Law 101). Under this amendment deposits may be made with the Treasurer of the United States on account of just compensation for American-owned vessels, but only to the extent necessary to provide for the payment of valid liens and encumbrances existing at the time of the requisition.

The provisions of section 3 (e) to 3 (k).—The last seven subsections of section 3 contain various amendments to the War Risk Insurance Act and Public Law 101 (77th Cong.) designed to clarify the administration of the act and to cover some minor gaps in the insurance protection now provided thereunder.

Subsection (e) of section 3 would permit more effective use of existing underwriting and adjustment facilities by permitting an allowance to an agent for servicing insurance written by the underwriting agent, and for services of an insurance carrier for handling reinsurance, such allowance, however, not to provide for payment by the agent or the carrier of commissions in excess of 5 percent of the premium. This would facilitate the use of existing insurance companies as underwriting agents on behalf of the War Shipping Administration and in connection with the reinsurance operations of the War Shipping Administration so that such agency may make use of these private facilities by payment of allowances for the handling of reinsurance and the work of handling of claims, adjustments, inspections, and other activities connected therewith.

Subsection (f) of section 3 would make it possible for Government agencies to procure, under the machinery provided in the War Risk Insurance Act, coverage for marine risks on vessels in which the United States has an interest, in accordance with the existing authority in section 10 of the Merchant Marine Act, 1920, as amended. The existing law covers war risk in such cases but does not specifically embrace marine risks. The amendments would enable other departments to make use of existing facilities of the War Shipping Administration in these cases where it is desirable to provide such insurance service for marine risks on vessels in which the Government has an interest.

Subsection (g) of section 3 provides for interpleader proceedings in war-risk-insurance litigation. The amendment provides machinery whereby all conflicting claimants would be brought into the litigation or, if necessary, litigation might be initiated through an action in the nature of a bill of interpleader. The failure of potential claimants to assert their claims, or inability to locate actual or potential claim-

ants, or any uncertainty as to identity of claimants would not be permitted to bring about an indefinite postponement of the determination of rights involved. The amendment would provide for the naming of such claimants as parties and services by publication or other form of reasonable notice. The language of the proposed amendment is an adaptation of a provision directed to the same problem in the World War Veterans' Act, 1924, as amended. As previously noted, this change does not change the rule of law exempting the Administrator from the State laws as to beneficiaries or inheritance as to which the provisions of the Federal insurance policy will control.

Subsection (h) of section 3 would, for the purposes of the War Risk Insurance Act, define the term "risks of war" in such a manner as to clarify the authority in accordance with the original intent, to provide war-risk insurance for all risks arising out of the war which are not covered by marine insurance available commercially. As the private market narrows the scope of its insurance coverage, the Administration would be able to cover so much of the abandoned coverage as may be necessary to carry on needed shipping. This does not change but merely clarifies existing insurance powers.

Subsection (i) of section 3 would authorize the War Shipping Administration to provide insurance or reinsurance protection against legal liabilities of companies performing services or providing facilities for vessels, especially in the case of ship repairs. This would cover any vessel, regardless of documentation, engaged in the Allied war effort. Such protection would be afforded only when not available at reasonable rates and on reasonable conditions from existing American facilities, and would not be available to cover liabilities to employees with respect to employer's liability or workmen's compensation.

Subsection (j) of section 3 would make it clear beyond controversy that the War Risk Insurance Act includes authority to provide insurance protection for agent operators as well as owners or charterers of vessels. The recent determination of the Supreme Court of the United States in *Margaret M. Brady* v. *Roosevelt Steamship Company, Inc.* (No. 269, October term, 1942, January 18, 1943), holds that there is such an independent liability in certain cases.

Subsection (k) of section 3 would expressly extend the insurance powers of the Administration to cover all vessels owned or controlled by the War Shipping Administration, including not only vessels requisitioned, chartered, or purchased under Public Law 101 (77th Cong.), which are already expressly covered, but also vessels requisitioned under the Merchant Marine Act, 1936, as well as vessels constructed by the Maritime Commission.

The provisions of section 4.—Section 4 of the bill would eliminate any doubt as to the right of the United States to all exemptions and to limit liability with respect to vessels owned by, or chartered to, the War Shipping Administrator or operated directly by him or for his account and would cover agent's liabilities under the *Brady case* above referred to. Inasmuch as this provision is only a clarification or confirmation of existing authority, it would be applicable in respect of all past or present activities of the War Shipping Administration.

The provisions of section 5.—Section 5 sets forth the effective date of section 1 (a) of the bill and provides that it will terminate at the same time as title I of the First War Powers Act, 1941, which will

be 6 months after the end of the war or such earlier date as the Congress by concurrent resolution or the President may designate. The last sentence of section 5 makes it clear that where certain former powers of the Maritime Commission are placed in the War Shipping Administration for the war period, such powers as modified by the bill shall be exercised by the War Shipping Administrator during the war period.

There are hereinafter reproduced the reports made by the Bureau of the Budget and the Government agencies.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., October 14, 1942.

Hon. JOSIAH W. BAILEY,
Chairman, Committee on Commerce,
United States Senate, Washington, D. C.

MY DEAR SENATOR BAILEY: I have your letter of August 7, 1942, requesting an expression of the views of this Office regarding the enactment of S. 2695, a bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

This Office feels that the objectives of S. 2695, and the House companion, H. R. 7424, are desirable, and we, accordingly, heretofore advised the various interested departments and agencies, with respect to their proposed reports upon these bills—which reports either favored or interposed no objection to the general objectives of this legislation—that there was no objection to the presentation thereof to your committee and the House Committee on the Merchant Marine and Fisheries.

It is understood that the chairman of the House Committee, at the conclusion of the hearings upon the bill, H. R. 7424, requested that representatives of the War Shipping Administration and representatives of the various Government agencies suggesting amendments or clarifications of the text of the legislation collaborate in working out proper amendments and, in case of failure to agree on such amendments in any respect, to report the difficulties to that committee for its determination.

Very truly yours,

WAYNE COY, *Assistant Director.*

TREASURY DEPARTMENT,
Washington, October 5, 1942.

Hon. JOSIAH WILLIAM BAILEY,
Chairman, Committee on Commerce,
United States Senate.

MY DEAR MR. CHAIRMAN: My attention has been directed to the provisions of S. 2695 (77th Cong., 2d sess.), entitled "A bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes."

Among the purposes of the bill appear to be those of providing social security benefits for seamen employed by the United States through the War Shipping Administration, and of providing for the payment of corresponding employment taxes.

No comment is made herein concerning the policy of making the proposed extension of coverage, which is, of course, a matter primarily for the Congress to determine. If comment upon that policy is desired from an agency in the executive branch of the Government, the Federal Security Agency is the one most directly concerned in advising on that question.

However, the bill, insofar as it affects the Treasury Department, would appear to be subject to certain objections concerning which it is desired to invite your attention.

S. 2695 provides, in part:

"[SEC. 1] That all seamen employed by or on behalf of the United States through the War Shipping Administration, or agents or other persons acting for or on behalf of the War Shipping Administration shall, with respect to * * * (2) the Federal social security laws and Federal employment tax laws * * *, have all of the rights, benefits, exemptions, privileges, and liabilities of seamen employed on privately owned and operated American vessels. Such seamen shall not be entitled to any benefits nor be subject to any charges provided for Federal employees under the United States Employees Compensation Act, as amended, or the Civil Service Retirement Act, as amended. * * * The War Shipping Administration, with respect to seamen employed by it or on its behalf, is hereby authorized to make payments by way of contributions, and to make deductions from wages of such seamen, as if an employer under the Federal social security laws and Federal employment tax laws. The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

* * * * * * *

"SEC. 5. The provisions of section 1 of this Act shall take effect on the date of enactment hereof, but payments and deductions under the Federal social security laws and Federal employment tax laws of the nature authorized by said section 1 made prior to such date are hereby ratified and confirmed. The provisions of such section 1 shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue, and may be enforced in the same manner, as if such provisions had not terminated."

Reference is made in section 1, quoted above, to "the Federal social security laws and Federal employment tax laws." No liability for taxes is currently incurred under the Social Security Act. The tax-imposing sections of that act were superseded by the Federal Insurance Contributions Act (subch. A, ch. 9, Internal Revenue Code) and the Federal Unemployment Tax Act (subch. C, ch. 9, Internal Revenue Code). The taxes imposed by the two acts referred to in the preceding sentence are denominated "employment taxes." However, other taxes are also called employment taxes; namely, those imposed by subchapter B of chapter 9 of the Internal Revenue Code, which superseded the Carriers Taxing Act of 1937.

It is believed likely that the only employment taxes which the bill intends be imposed with respect to remuneration of the seamen in question are those imposed by the Federal Insurance Contributions Act. Whatever may be the intent in this respect, this Department considers it desirable that the intent be stated expressly and clearly in the bill, as distinguished from the present reference therein to the employment taxes generally.

The benefits correlative with the taxes imposed by the Federal Insurance Contributions Act are the old-age and survivors' insurance benefits and are provided for by title II of the Social Security Act, as amended. Those benefits are administered by the Social Security Board of the Federal Security Agency.

A trust fund, out of which old-age and survivors insurance benefits are paid, was established and is maintained under the provisions of section 201 of title II of the Social Security Act, as amended. Such section appropriates to the trust fund amounts equivalent to the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act from all employers and employees subject to the provisions of such act.

Section 1 of the bill would authorize, but not require, the War Shipping Administration to pay Federal employment taxes. Since it is apparently intended that corresponding benefits would be paid out of the old-age and survivors insurance trust fund, the payment by the War Shipping Administration of the tax on employers and the tax on employees imposed by the Federal Insurance Contributions Act should be made mandatory in order that no benefits with respect to employment of any class of individuals shall be payable out of the trust fund without a correlative requirement of payment of taxes with respect to such employment.

Quarterly returns are required of each employer subject to the Federal Insurance Contributions Act. On these returns the employer lists the name and social security account number of each employee and the amount of wages paid by him

to the employee during the quarter. The employer sends to the collector of internal revenue, with the return, both the amount of tax on the employer and the aggregate of the tax on his employees. The tax on employees is collected by the employer by withholding the amount thereof from wages as and when paid. The employer is liable for the tax on employees whether or not he collects it from employees. The portion of the return listing the employees and the irrespective wages is forwarded to the Social Security Board for use in maintaining a permanent wage record of each employee. It is assumed, though it is not entirely clear, that the bill contemplates that like returns and payments would be made by the War Shipping Administration.

The employer is also required by the act (sec. 1403, Internal Revenue Code) to furnish to each employee written statements showing, among other things, the wages paid by the employer and the amount of the tax on the employee. The status of this requirement is not clear under the bill.

In the interest of certainty as to rights, duties, and liabilities, both of the employees and of the War Shipping Administration, it is preferred by this Department that the intent of the bill with respect to taxes be carried out by direct amendments to the appropriate provisions of the Internal Revenue Code.

If, as stated previously in this letter, it is intended that the taxes imposed by the Federal Insurance Contributions Act (subch. A, ch. 9, Internal Revenue Code) be paid with respect to the wages of the seamen in question, it is suggested that the provisions of that act be amended. Those taxes are measured by "wages" with respect to "employment" as those terms are defined in section 1426. Service performed in the employ of the United States Government is now expressly excluded from "employment." It is believed that the purpose of the bill, insofar as it relates to such taxes, can be accomplished by eliminating the provisions thereof applicable to taxes and by inserting therein a provision substantially as follows:

"Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"'(i) SEAMEN EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the War Shipping Administration to be performed on or in connection with a vessel as an employee of the United States by a seaman employed by the War Shipping Administration or any agent thereof, if performed after ..... and before .....
The War Shipping Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of this subchapter on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection.'"

The foregoing method of covering the seamen for tax purposes would eliminate the objections previously mentioned. The last clause of the first sentence of the suggested section 1426 (i) would eliminate the necessity for legislative ratification of any payments previously made as taxes which is provided in section 5 of the bill. Tax coverage would be effected retroactively by inserting in the first blank in the clause referred to the date which precedes the day on which it is desired that such coverage commence. If it is now possible clearly to prescribe the time when such coverage should cease, the last blank in the clause should be appropriately filled in. The draft quoted above would leave to the War Shipping Administration, rather than to this Department or the Bureau of Internal Revenue, the determination of what individuals are covered, which would seem to be desirable in view of all of the circumstances and particularly in view of the various arrangements under which that Administration provides for the operation of vessels.

If further correspondence relative to this matter is necessary, please refer to IR:A&C:RR.

The Director, Bureau of the Budget, has advised the Treasury Department that there is no objection to the presentation of this report.

Very truly yours,

JOHN L. SULLIVAN,
Acting Secretary of the Treasury.

OFFICE OF THE ATTORNEY GENERAL,
Washington, D. C. August 10, 1942.

Hon. JOSIAH W. BAILEY,
Chairman, Committee on Commerce,
United States Senate, Washington, D. C.

DEAR SENATOR: This acknowledges your letter of August 7, 1942, requesting my views relative to a bill (S. 2695) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

Section 1 of the bill would make applicable to seamen employed by or on behalf of the War Shipping Administration, all the rights, benefits, and immunities that they would have if they were employed on privately owned vessels. It would also expressly provide that such seamen shall not be entitled to any of the benefits or be subject to any of the charges provided for employees of the United States.

Section 2 would amend the law relating to marine insurance in time of war so as to permit the War Shipping Administration to furnish protection to seamen which would include all marine risks which seamen might encounter in wartime; for example, injuries sustained in collisions in convoy due to black-out conditions.

Section 3 (a) would authorize the War Shipping Administration, prior to making a definite determination of just compensation, to make a deposit with the Treasurer of the United States on account of such just compensation for foreign merchant vessels which it requisitioned.

Under existing law (act of April 1, 1942, Public Law No. 523, sec. 223) the amount of commissions and expenses which may be allowed by the War Shipping Administration to an insurance carrier for commissions and expenses on reinsurance is restricted to a fixed percentage of the premiums.

Section 3 (b) of the bill under consideration would remove this restriction so far as expenses are concerned.

Section 3 (c) of the measure would authorize any department or agency of the United States to procure insurance against marine risks on hulls in which the United States has a legal or equitable interest. Sections 3 (d) and (e) would merely clarify certain ambiguities in existing law relating to the insurance of the interest of a general agent for a vessel and the insurance of certain classes of vessels acquired by the War Shipping Administration.

Section 4 would accord to the United States in respect to all vessels under the control of the War Shipping Administration, the same rights to limit liability and to receive benefits as is accorded to owners of private vessels.

Section 5 would provide that section 1 of the bill shall remain in force until 6 months after the termination of the war or until such earlier date as the Congress by concurrent resolution or the President by proclamation may designate.

I find no objection to the enactment of the bill.

Sincerely yours,

FRANCIS BIDDLE,
Attorney Genera

DEPARTMENT OF THE NAVY,
Washington, October 5, 1942.

Hon. JOSIAH W. BAILEY,
Chairman, Committee on Commerce,
United States Senate.

MY DEAR MR. CHAIRMAN: The bill S. 2695, to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, was referred to the Navy Department by your committee for report thereon.

The proposed legislation provides for:

1. The securing of certain benefits for private seamen, including insurance benefits.
2. The clarification of the authority of the War Shipping Administration to make deposits in payment of just compensation for requisitioned idle foreign merchant vessels.
3. The removal of restrictions on the amount of commissions and expenses which may be allowed by the War Shipping Administration to the insurance carrier on reinsurance with the Administration.
4. The clarification of certain provisions of existing law concerning insurance coverage on vessels in which the United States has acquired an interest.

5. The clarification of the authority of the War Shipping Administration to limit its liability as to vessels operated by the Administration directly, or under time or bareboat charters, or other arrangement.

The interests of the Navy do not appear to be involved except indirectly. The measure would clarify the provisions of law relating to the activities of the War Shipping Administration and enable it to administer its duties and functions more effectively. The Navy Department believes that any legislation which facilitates the administration of war shipping is desirable.

In view of the foregoing, the Navy Department interposes no objection to enactment of the bill S. 2695.

The Navy Department has been advised by the Bureau of the Budget that there would be no objection to the submission of this report.

Sincerely yours,

JAMES FORRESTAL, *Acting.*

FEDERAL SECURITY AGENCY,
Washington, September 9, 1942.

Hon. JOSIAH W. BAILEY,
Chairman, Committee on Commerce,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: This is in reply to your letter of August 7, 1942, requesting a report from this Agency to your committee on S. 2695, a bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

This Agency is directly interested only in section 1 of S. 2695, which is intended to clarify the status of seamen employed by the War Shipping Administration with respect to their rights and benefits and to preserve to seamen who, by reason of their employment by the War Shipping Administration, might become employees of the United States, those rights and benefits to which they would be entitled if they were employed on privately owned and operated vessels. This Agency is in complete agreement with this objective. It is currently carrying on three major programs which are of direct benefit to merchant seamen: The old-age and survivors insurance program of the Social Security Board; medical relief benefits provided by the Public Health Service; and vocational rehabilitation administered by the Office of Education.

As a matter of general policy, this Agency is opposed to the extension of Social Security Act coverage to particular groups of employees within a larger category of employment. However, it is highly desirable that employees who do not change jobs shall not pass from private employment to Federal employment and back again, and it is felt that the employees of private operators taken over by the Government as a war measure are a special class of Federal employees with special coverage problems. It is further felt that seamen in the employ of the War Shipping Administration are a special group within this category of Government employment. Seamen in private employment obtained coverage 3 years later than other categories of private employees and are not so likely to have attained a fully insured status under the program; they have a distinctive vocation which is especially hazardous in the war situation and, therefore, are in special need of the benefits of old-age and survivors' insurance coverage; and they are less apt to shift from their special category of employment to other wartime Government employment to which coverage has not yet been extended.

For these reasons, while it would prefer legislation which would extend coverage to all employment taken over from private employers as a temporary war measure, the agency is in favor of the enactment of legislation which would extend coverage under the old-age and survivors' insurance program to seamen who are in the employ of the War Shipping Administration.

There are, however, numerous technical questions involving the mechanism for achieving the policy described above. The existing draft suggests a number of serious drafting problems which we would like to discuss with the Bureau of Internal Revenue and other agencies interested in the administration of the Social Security System before presenting proposed language revisions. If the committee intends to report the bill favorably, we shall be glad to make available to it such suggestions with respect to language.

Medical relief benefits are provided by the Public Health Service under existing law and regulations to merchant seamen on vessels documented under the laws of the United States, to seamen on vessels of the United States Government of more than 5 tons' burden, and to seamen on foreign vessels subject to a charge

to be paid by the master of the foreign vessel. This agency agrees that there should be available to all seamen employed by the War Shipping Administration the medical relief afforded by the Public Health Service. It is recommended that section 1 be revised to avoid the possibility that seamen on ships under foreign registry and chartered by the War Shipping Administration may be considered as having the status of seamen on foreign ships rather than that of seamen on ships of the United States Government.

The proposed legislation contemplates that disabled seamen may be compensated by administrative action or by recovery under the Suits in Admiralty Act. It is important that administrative procedures be established for the prompt referral of those who are eligible for vocational rehabilitation. It would seem advisable, therefore, to consider including in this legislation a specific legislative basis for making arrangements by which the name and address of each seaman to whom compensation is awarded by either method may be forwarded, with the relevant medical information, to the appropriate board of vocational education.

The Agency is in favor of the objectives of section 2 of the proposed legislation which broadens the insurance provisions of the Merchant Marine Act with respect to seamen. However, no recommendation is made with respect to this section or the exclusion of seamen by section 1 from the benefits of the United States Employees' Compensation Act. These matters are beyond the scope of the Agency's administrative responsibility.

This Agency is in favor of the enactment of legislation which would accomplish the objectives of section 1 of S. 2695. A similar report has been made to the chairman of the House Committee on the Merchant Marine and Fisheries on H. R. 7424. In connection with that report this Agency was advised by the Bureau of the Budget that there was no objection to the submission to that committee of a report containing the views herein expressed.

Sincerely yours,

WATSON B. MILLER,
Acting Administrator.

WAR SHIPPING ADMINISTRATION,
Washington, August 31, 1942.

Hon. JOSIAH W. BAILEY,
Chairman, Committee on Commerce,
Senate Building.

DEAR SENATOR BAILEY: You have requested the views of the War Shipping Administration with respect to S. 2695, a bill to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

The War Shipping Administration was established in the Office for Emergency Management of the Executive Office of the President on February 7, 1942, by an Executive Order No. 9054; 7 F. R. 837, issued under the First War Powers Act. The functions and duties of the agency are set forth generally in paragraph 2 of the order. Briefly, these functions are to control the operation, purchase, charter, requisition, use, and allocation of ocean vessels (with certain exceptions) under the flag or control of the United States. The Administrator was vested with all legal authority of the United States Maritime Commission with respect to these matters and was specifically vested with the administration of the pertinent provisions of the Merchant Marine Act, 1936, as amended, and the War Risk Insurance Act, the Foreign Vessels Requisition Act, and the Ship Warrants Act. The last-named acts have recently been extended for the duration of the war, and provision was expressly made to the effect that the authority of the Maritime Commission under the extended laws, insofar as the same relates to functions of the Commission transferred to the Administrator under the said Executive order, are to be performed by the Administrator in conformity with the Executive order. The First War Powers Act, 1941, provides that 6 months after the war all governmental agencies shall exercise the same functions as heretofore or hereafter by law may be provided, notwithstanding any action of the President under title I of the said act.

The War Shipping Administration, on April 19, 1942, gave notice of general requisition of all oceangoing vessels, and is now operating as owner or under requisition charters, bare-boat charters, or time charters, most of the merchant marine of the United States. These operations give rise to certain problems which require or make very desirable legislative action in the interests of clarification and effective administration during the war.

NEED FOR LEGISLATION

Various questions have arisen in connection with the benefits and remedies for seamen employed by or on behalf of the War Shipping Administration on vessels owned or bareboat chartered by it, especially where such employment by the War Shipping Administration gives seamen the status of employees of the United States. The status of these seamen with respect to their rights and benefits should be clarified.

Another problem primarily affecting seamen and their dependents is the need of providing more complete protection to seamen and dependents in case of loss of life or bodily injury. The War Risk Insurance Act, which was revised on April 11, 1942 (Public, 523, 77th Cong.), provides insurance protection for strictly war risks. This act does not cover certain marine risks such as collisions in convoy, collisions due to running under black-out conditions, and stranding due to removal of peacetime aids to navigation, which, while not strictly war risks, arise out of conditions engendered by the war.

The authority of the War Shipping Administration to provide insurance under Public, 101, Seventy-seventh Congress, is not commensurate with the needs of the War Shipping Administration to protect interests in vessels owned or controlled by it. The War Shipping Administration, for example, is unable properly to protect its general agents in respect of the operation of the vessel and it is also unable to provide the necessary insurance protection with respect to vessels owned or controlled by it.

In the course of the proceedings to provide just compensation for requisitioned idle foreign merchant vessels under Public, 101, Seventy-seventh Congress, the War Shipping Administration has made deposits on account of compensation in advance of making any final determination as to the amount thereof, in order to avoid delays in the adjustment of liens and claims involved. Some doubts have been expressed as to the validity of such deposits on account, and Congress may deem it desirable to clarify this point.

The Wartime Insurance Division of the War Shipping Administration has found it necessary to consider the reinsurance of substantially all the risks in given classes of risks. Some adjustment of the possible allowance to underwriters on reinsurance of their business must be made in order to utilize the commercial organizations of the underwriters and adjusters and avoid the expensive alternative of setting up a large organization in the Wartime Insurance Division.

In view of certain special conditions, the Congress may deem it desirable to make an express statutory declaration with respect to the power of the War Shipping Administration to limit its liability as to vessels operated by it directly or under time or bareboat charters or other arrangements. In view of the extensive operations of the Administration, it is believed that such a declaration would avoid uncertainties and unnecessary controversy.

THE PROVISIONS OF THE BILL

Section 1 of the bill provides that seamen employed by or on behalf of the War Shipping Administration would have those rights, benefits, and immunities to which they would be entitled if employed on privately owned and operated vessels, and that they would not by virtue of their status as Federal employees become entitled to the benefits generally provided for such employees. The benefits to private seamen would include rights with respect to claims for death, injuries, illness, loss of effects, detention, and repatriation, and wages, maintenance, and cure, and old-age pension benefits. The claims would be enforceable by suit against the United States only under the Suits in Admiralty Act. This section would expressly exclude any benefits under the United States Employees' Compensation Act or the Civil Service Retirement Act.

The section would authorize the War Shipping Administration with respect to seamen employed by or on its behalf to make payments and deductions as an employer under the social security laws and the Federal employment tax laws, and any such payments and deductions made for such purpose prior to the enactment of the measure would be confirmed by section 5.

The section further provides that the War Shipping Administration shall not be required to assert immunity from payment of Federal taxes in respect of its operations and activities. The United States collects the taxes in any event and the administrative costs in setting up the immunity from taxation are only an additional expense to the United States. This provision applies only to Federal taxation. Under its existing powers, especially having in mind its powers as a business or commercial organization, the War Shipping Administration does have

the right to make payments of these taxes (and waive its immunity), but Congress may deem it desirable to have it expressly so provided in the law.

Section 2 of the bill would amend the War Risk Insurance Act. The War Shipping Administration, under that act, may write insurance covering loss of life of, or bodily injury to, seamen against war risks. Unlike the case of property interests where the combined fields of war-risk insurance and marine insurance afford full protection, there is no such complete insurance coverage in the case of life or limb of seamen. War-risk coverage does not include many losses arising from war conditions but which are not strictly in the nature of war risks as interpreted by the courts. The doubt as to the extent of coverage comprised within the term "war risk" has been increased by a recent House of Lords decision which, while perhaps liberal in result, tends to make more uncertain the scope of war-risk coverage. Section 2 would broaden the authority of the War Shipping Administration to furnish protection for seamen so as to cover such navigational risks as collisions in convoy, collisions due to running under black-out conditions, and stranding due to removal of peactime aids to navigation. These and other dangers to seamen, as a practical matter, result from or are greatly increased by wartime operation of the merchant marine. The amendment of section 222 (f) would provide general and flexible authority to cover all marine risks of seamen to which war conditions may contribute.

Section 3 (a) of the bill is designed to confirm, and avoid any controversy as to, the authority of the War Shipping Administration to make deposits "on account" of just compensation for requisitioned idle foreign merchant vessels under section 1 of the act of June 6, 1941. It has been necessary to make deposits "on account of" such compensation in advance of making any definite determination with respect to the amount of just compensation, in order that the lienors and other claimants may proceed with the prosecution of their claims at the end of the 6 months without waiting for final determinations (and full deposits), which often cannot be made for many months.

Subsection (b) of the bill would remove the restrictions in section 223 of the subtitle "Insurance of the Merchant Marine Act, 1936," as amended, which limits, by a fixed ratio to premiums, the amount of commissions and expenses which may be allowed by the War Shipping Administration to the insurance carrier on reinsurance with the War Shipping Administration. The section would still require that the allowance to the insurance carrier on account of commissions be limited to 5 percent.

The fixed limit on allowance for expenses on reinsurance of commercial underwriters was sound at the time of its enactment when the reinsurance contemplated was that of specific risks and when only a portion of the underwriters' business was reinsured. The provision is unworkable when it becomes necessary to reinsure an entire class of risks. For example, the problem may become critical in the case of cargo war-risk reinsurance, where it may be necessary to write insurance on a noncommercial level (as provided in the War Risk Insurance Act) in connection with price ceilings fixed by the Price Administrator. Unless this provision is amended, instead of utilizing the existing commercial organization which is well equipped and trained to do the work involved on the most efficient and economical basis, it would be necessary to set up a very large organization in the War Shipping Administration.

Section 224 of subtitle "Insurance of the Merchant Marine Act, 1936," as amended, enables Government departments to procure under such act necessary insurance protection for war risks, and to make use of the existing insurance organization in the War Shipping Administration. Subsection (c) of the bill would enable departments and agencies to procure insurance service for marine risks on hulls in which the United States has an interest, as described in section 10 of the Merchant Marine Act, 1920, as amended.

The War Shipping Administration is authorized under section 3 (b) of Public, 101, Seventy-seventh Congress, to provide insurance and reinsurance with respect to vessels and any interest of the owner or charterer therein. It is the opinion of the War Shipping Administration that the interest of the general agent can be insured under this language, but it may be contended under certain decisions of the courts that a general agent for the vessel might be held liable as an independent contractor with respect to claims arising out of the operation of the vessel. As a safeguard, the proposed amendment in section 3 (d) would authorize protection against this possible liability of a general agent by means of insurance under Public, 101, rather than through an indemnity agreement between the agent and the War Shipping Administration as the owner or charterer of the vessel.

While section 3 (b) of Public, 101, clearly authorizes insurance of (*a*) immobilized vessels purchased, chartered, or requisitioned for use under section 1, (*b*) vessels chartered under section 3 (a), and (*c*) vessels purchased under section 4 of Public, 101, it is not clear that insurance can be provided under this section with respect to vessels otherwise acquired by the War Shipping Administration, including, for example, vessels requisitioned under section 902 of the Merchant Marine Act, 1936, for title or use, and vessels constructed by the Commission under various statutes. Provision for the charter or operation of such vessels is made in section 4 of Public, 101, and it is considered that the insurance provisions of section 3 (b) should be made as extensive as the operation and charter provisions of section 4, as provided in section 3 (a) of the bill. Except in unusual situations, it is not the intention of the War Shipping Administration (under this amendment) to cover ordinary marine risks on hulls.

The War Shipping Administration has power to limit its liability as to vessels operated by it directly or under time or bareboat charters or other arrangement. It is operating vessels both directly and under such charters. There is no liability on the agent of the War Shipping Administration under such charters and it is believed desirable, even though section 4 of the bill may be said to be virtually a restatement of existing authority, to have an express statutory declaration on this point in order to avoid uncertainties and delays or unnecessary claims especially in view of the fact that only the Administration is liable under the charters in question.

Section 5 of the bill would limit the life of section 1 above considered to the same life as title I of the First War Powers Act of 1941. That act provided that upon termination of said title I (6 months after the termination of the present war or until such earlier time as the Congress by concurrent resolution or the President may designate), all functions, duties, and powers shall be exercised without regard to action of the President under the title (in this case the creation of the War Shipping Administration by Executive order on February 7, 1942). Section 1 would be retroactive in operation so far as social-security payments actually made before the enactment of this measure are concerned. Provision is also made to protect the prosecution and enforcement of any rights and liabilities which accrue, before the termination of section 1, under section 1.

The bill S. 2695 embodies the policies and purposes, with some changes in language of a clarifying or technical nature, of a proposed measure which, together with a proposed report to the Congress thereon, was submitted by the War Shipping Administration to the Director, Bureau of the Budget, for advice as to the relationship of the measure to the program of the President. The Director, Bureau of the Budget, has advised that there would be no objection to the presentation for the consideration of the Congress of a report in consonance with the views of this agency as heretofore submitted to the Director, Bureau of the Budget, including the views of this agency as to the suggestions of other Government agencies.

SUGGESTIONS FROM OTHER AGENCIES

With respect to the suggestions of other agencies, it appears that those of the Attorney General with respect to the measure are embodied in S. 2695. The Federal Security Agency has suggested the need for certain technical amendments to section 1 of the bill, particularly with respect to social security benefits. These amendments are not yet available, but this Agency is prepared to cooperate in the drafting thereof in accord with the wishes of the committee. It further appears that the technical suggestions of the United States Employees' Compensation Commission, with respect to the bill, can readily be worked out. The Secretary of War has recommended the addition of three new sections to the bill to be applicable with respect to seamen employed by the Army Transport Service and other branches of the War Department. This Agency has informed the Director, Bureau of the Budget, that it has no objection to the submission of the proposed amendments to the Congress for its consideration.

The War Shipping Administration urges prompt enactment of the measure.

Sincerely yours,

E. S. LAND, *Administrator.*

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CLARIFICATION OF FUNCTIONS OF WAR SHIPPING ADMINISTRATION

Mr. RADCLIFFE. I move that the Senate proceed to the consideration of Calendar No. 57, House bill 133, known as the bill to amend and clarify certain provisions of law relating to the functions of the War Shipping Administration, and for other purposes.

The PRESIDING OFFICER. The question is on the motion of the Senator from Maryland.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, which had been reported from the Committee on Commerce with amendments.

The first amendment was, on page 3, line 25, after the name "United States", to insert:

In cases of claims referred to in clauses (2) and (3) hereof asserted against the Administrator, War Shipping Administration, or any agent of the Administrator, if the claim is settled, adjusted, or paid without suit, the aggregate fee to attorneys or agents on account of legal or other similar services rendered in connection with the claim shall not exceed $100 except that the Administrator may approve an aggregate fee not in excess of $250 when he deems such services to be of an extraordinary character, and if judgment or decree is rendered in favor of the claimant in a suit based upon such claim or a compromise of such suit is effected, the aggregate fee or payment shall not exceed such reasonable amount as the court may approve which shall not be more than 20 percent of the amount recovered. Before the payment of any such claim or judgment or decree, the attorney or agent of the claimant shall, if required by the Administrator, file an affidavit or affidavits of the attorney, agent, or the recipient or beneficiary in such form and manner as the Administrator may prescribe, showing that the aggregate fee in respect of such claim or suit does not exceed the maximum herein specified or the amount approved by the court or the Administrator, as the case may be.

The amendment was agreed to.

The next amendment was, on page 11, line 14, after the word "vessel", to strike out "owned by citizens of the United States."

The amendment was agreed to.

The next amendment was, on the same page, line 17, after the word "owner", to strike out "Upon the written recommendation of the Secretary of State, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel, the title to which has been requisitioned pursuant to the act of June 6, 1941 (Public Law 101, 77th Cong.), which shall have been lost or destroyed or converted to naval or military use by the United States."

The amendment was agreed to.

The PRESIDING OFFICER. That completes the committee amendments.

Mr. BAILEY. Mr. President, I call up and move the adoption of an amendment heretofore presented by me to the bill now under consideration and request that the proposed amendment be read for the information of the Senate before I make some explanatory remarks.

The PRESIDING OFFICER. The amendment offered by the Senator from North Carolina will be stated.

The LEGISLATIVE CLERK. On page 11, at the end of subsection (b), it is proposed to add the following:

"Such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the act of June 6, 1941 (Public Law 101, 77th Cong.), except as provided by Executive Order No. 9001-A, December 27, 1941, and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States upon certification by the Secretary of State that understanding had been reached between the United States and the diplomatic

representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941."

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from North Carolina.

Mr. BAILEY. Mr. President, this amendment relates, with one exception, to the 40 ships which the Government of the United States under the act of Congress of June 6, 1941, seized and took from the possession of the Kingdom of Denmark. I take it a good many Senators will recall the discussion at the time of the passage of the act authorizing the taking. It would clarify the matter, and, I think, fully explain the amendment, if I should read a rather brief letter from Mr. Berle, Assistant Secretary of State, who prepared the amendment at my instance and who appeared before the Committee on Commerce on November 28, 1942, and asked that the committee incorporate such an amendment in one of the shipping acts. I read the letter:

As I explained to the members of your committee the rider—

That is the pending amendment—

to the amendment which I proposed is expected to assist the Department in finalizing an agreement now being worked out with the Danish Minister in Washington, who is acting on behalf of his Government.

Pursuant to the law of June 6, 1941, requisition was made by the United States of 40 Danish merchant ships. This requisition was made with the approval of the Danish Minister with the understanding that for the ships requisitioned Denmark would receive from the United States Government just compensation as provided in the act of June 6, 1941.

Although requisition of the ships in question was made for title by the Maritime Commission, it was understood by all parties concerned that the Maritime Commission was disposed to agree to the return of these ships to the former owners upon the termination of the national emergency, and that efforts would be made to see that compensation for the requisition of the ships should be paid on the basis of use rather than for transfer of title.

Seventeen of the 40 ships which were requisitioned have already been lost permanently to Denmark in enemy action.

The purpose of the rider which I suggested to the War Shipping Administration amendment was so worded that just compensation could be made to Denmark for the use of ships which were requisitioned from the time they were taken over until the time they were sunk or converted into Army transports by the United States. The vessels were requisitioned, it should be emphasized, from a friendly nation at a time when the United States was not at war.

The Department is still working on an agreement with the Danish Government on the question of just compensation for these ships and the passage of the proposed legislation should aid materially in the satisfactory finalization of this agreement.

Sincerely yours,

ADOLF A. BERLE, Jr.,
Assistant Secretary.

The intent and effect of the amendment will be to give to the State Department discretionary power to change the requisition for title to requisition for use, the difference being that when we requisition for title we take possession and ownership. In the requisition for use we charter and pay rent, or "charter hire," as it is called.

We took these ships, I think, under necessity but by force; arbitrarily, one might say, unjustly, although in a great emergency what is just and what is unjust is a matter of debate. At any rate, our action was analogous to the action, if I may use an old legal phrase, of an executor de son tort. Denmark was under duress; she was under the heel of the German tyrant. Her ships were in our waters. We not only needed them, but if they should put out to the high seas some other nation might get them. Very directly, Great Britain might get them. We did not have time to enter into negotiations, nor was it possible to enter into negotiations with the Kingdom of Denmark, which was occupied by the German ruler and his party. So we took the ships.

At the time we undertook to say that we had taken them by right of angary, and I said on the floor of the Senate, notwithstanding one representative of the State Department had taken a different view, that the right of angary could not arise except under the conditions of actual war; and we were not at war. I think the State Department is now inclined not to insist that the right of angary existed.

However that may be, the ships were in our harbors and we took them. Denmark was not at arm's length with us, she was not negotiating. We took the ships by right of our power to do it and by reason of the necessity which existed.

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

Mr. BAILEY. Just one word more, and I shall certainly yield.

I said here, at the time the requisition act in this case was passed, that under the circumstances I have narrated we were under obligation to treat the Kingdom of Denmark not only with justice, but with the utmost generosity. I think a court of equity would impose such generosity upon us. As I stated a moment ago, the man who undertakes to administer upon an estate without right, who, when someone dies steps in and takes charge of the affairs of the decedent, is held to a far higher degree of care and to a far greater degree of liability than the executor who qualifies under a will or an administrator who is appointed by the court, because he is acting of his own power, he is acting arbitrarily, he is acting without authority of the law; and the rule of strict conduct and the highest degree of care is applied to that type of executors.

Here was Denmark, stricken down and helpless. Her ships were in our possession. We took them. It is very important to me that the United States of America shall always present to all the other nations of the world the spirit and the example of justice, of fairness, and of generosity.

If the amendment shall be adopted, the State Department will be authorized to proceed with the minister from Denmark, and, through him, with the owners of these vessels, with a view to treating them with absolute justice, and generous justice at that.

I now yield to the Senator from Vermont.

Mr. AIKEN. I wanted to ask the Senator from North Carolina whether these ships were not acquired through a White House order, in accordance with an order from the President.

Mr. BAILEY. I do not think so. They were acquired in pursuance of an act passed by the Congress. Probably the White House, or, we may say, the President, issued the order, but I see no reason to undertake to involve the President of the United States in this matter. If anything should be said concerning him, it must be said that he came to the Congress for the authority, and we gave him the authority.

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

Mr. BAILEY. Certainly.

Mr. VANDENBERG. The Senator will probably recall that in the Committee on Commerce I was the one who was responsible for delaying this particular amendment for a week or two.

Mr. BAILEY. I will say to the Senator that in the long period during which I have been associated with him in the Committee on Commerce I have never known him to delay any matter unnecessarily, and if he delayed this matter, he delayed it in what he conceived to be the public interest. I yield again.

Mr. VANDENBERG. I thank the Senator for his very generous and undeserved compliment. I held the amendment up temporarily because I was in doubt about some of its terms, but in the final analysis, when I received a personal letter from Assistant Secretary of State Berle setting down categorically the fact that this amendment does nothing more than validate the promise made by the Government of the United States to the utterly brave Danish Minister, who dared to stand out from under his home government and take the responsibility in his own hands to deliver us these 40 ships we needed, plus the delivery agreement—when I discover that this is nothing more than a validation of our promise to the Danish Minister under those circumstances, I have no interest in what the amendment may cost. The Danish Minister is entitled to 100-percent reciprocity and good faith, in the presence of the courageous stand which he took, not only to his jeopardy, but to our everlasting advantage.

Mr. BAILEY. The Senator is correct.

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

Mr. BAILEY. I yield to the Senator from Ohio.

Mr. BURTON. Speaking to the point which has just been raised by the Senator from Michigan, and agreeing entirely with it, I have, however, a question I should like to address to the Senator from North Carolina. As I understand, these ships were privately owned.

Mr. BAILEY. I think we placed in the act, at my instance, an amendment for-

bidding the seizure of ships belonging to any government, it being my view that that would be an act of war. I think they were all privately owned ships.

Mr. BURTON. Starting with the premise that these ships were privately owned by Danish owners, there is included in lines 12 to 17 the clause with regard to sound ships, ships still on the seas, that "no such determination" on our part—namely, to turn them over from a status of requisition for title to one of requisition for use—"shall be made with respect to any vessel after the expiration of a period of 2 months after the date of delivery of such vessel pursuant to title requisition except with the consent of the owner." That is, no such determination would be made, as to one of these Danish ships which is on the high seas, to convert our theory from one of requisition for title to one of requisition for use, except with the consent of the owner. That is in the bill. The clause we are referring to deals, as I understand, only with those ships which have been "lost or destroyed or converted to naval or military use."

Mr. BAILEY. That is correct.

Mr. BURTON. I should like to address a question to the Senator. Would it not be in accordance with the understanding between our Secretary of State and the Danish Government, and would it not be in accordance with our desire to recognize most fully and generously and appropriately the right of the owners of these ships, if we were to make provision with respect to sunken ships on the same basis as we do with respect to the sound ships, and make the action with respect to sunken ships also subject to the owners' consent and the certification of the Secretary of State and the Danish Minister? That would be accomplished by inserting in the Senator's amendment the words "owner's consent and." Would the Senator agree that that be done?

Mr. BAILEY. I do not think so, Mr. President. Of course, I realize the force of the suggestion, but if we examine it, we find that it would put the State Department in the position of dealing with the owners. That can be done, but that would bring on no end of complications.

Mr. BURTON. May I suggest that that is what we are doing as to the sound vessels?

Mr. BAILEY. We have the question as to the owners, and we have the question as to whether or not they may be under duress in one way or another. The United States Government should deal in so large a matter through its State Department with the representatives of the Danish Government at Washington. That is the proper procedure. I can assure the Senator—I feel perfectly assured of it myself—that the Danish Minister will protect the rights of the nationals of his Government. I can assure the Senator that the State Department feels—I think pretty much as I have expressed myself here—that in this matter we must be not simply legally and strictly just, but we must be so just in our actions that there will be no question, there will be no misgiving. I would never have agreed to support the bill authorizing the requisitioning under the circumstances unless I had had such assurance. When I spoke on that subject on the floor of the Senate I quoted with a great deal of satisfaction some paragraphs from a statement made by President Woodrow Wilson on the same subject during World War No. 1. It is my view that we must put the owners of the ships and the Danish Government in position to go ahead with business the moment the war is over and the seas are clear.

We must not take any advantage of them, because we took the ships, not by their consent, but by our power. We took them on account of our own necessities, and not theirs. We have used the ships. Let us now treat the owners, not simply justly, as we might say with respect to a defendant in a court, but let us treat them so fairly that the record of history will say that the Government of the United States in its dealings under necessity may exercise arbitrary power, but that we shall not fail to make just and generous amends. That is the sort of Government over which I think, my flag flies.

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

Mr. BAILEY. Yes, I yield.

Mr. BURTON. It is in complete accordance with that policy that I recognize the propriety of the certificate from the Secretary of State and from the Danish Government, but will the Senator explain why in the case of the sound vessel, in carrying out this same policy, we depend upon the consent of the owner, but in the case of the sunken vessel we omit the consent of the owner of the vessel.

Mr. BAILEY. I think the basis of the distinction lies in the fact that the Government of the United States deals directly with its own nationals, its own citizens, but when we come to deal with a body of citizens of another nation, we deal through the duly constituted powers representing the other nation. We trust that the other nation, or its representative, will see that the cause of its nationals is properly presented. I think we can trust the State Department to make a proper disposition of their rights when dealing with their Minister and their Government.

Mr. BURTON. I can follow the Senator along that line, but in the case of the sound vessel the law provides that we shall deal directly with the owner of the vessel, and I am merely inquiring as to why there should be a different rule applied when dealing with the owner of the sound vessel than when dealing with the owner of the sunken vessel.

Mr. BAILEY. My amendment relates only to the vessel which has been sunk.

Mr. BURTON. The preceding sentence provides that we may make this conversion from requisition for title to requisition for use in the case of the sound vessel only with the owner's consent.

Mr. BAILEY. That is correct.

Mr. BURTON. If the Senator feels he cannot consent to the amendment I suggest, and if this matter goes to conference, as I presume it will, based on the amendments presented by the Senator, I wonder whether it might be appropriate to give consideration to the two sections which are being amended, and the possibility of making them treat alike the owners of ships which are sunk and the owners of ships which are not sunk.

Mr. BAILEY. Mr. President, I see no objection to taking the matter to conference, and I will also say to the Senator from Ohio that in the conference we will treat what he has to say seriously. We will not take it to conference for the purpose of burying it.

Mr. BURTON. I appreciate what the Senator says.

Mr. BAILEY. If I had authority to do so, I would be glad to name the Senator from Ohio a member of the conference committee, but, of course, the rules of the Senate provide who shall be conferees. I am perfectly willing, however, to take the matter to conference and to take it to conference in good faith.

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

Mr. BAILEY. I yield.

Mr. AIKEN. I should like to ask the Senator from North Carolina if the proposed amendment, which mentions specifically the little country of Denmark, with which we are all in sympathy, applies to vessels under the registry of any other nation as well?

Mr. BAILEY. Yes. I am glad the Senator prompted me on that point. I might have taken my seat without calling attention to the exception beginning in line 6:

Except as provided by Executive Order No. 9001-A, December 27, 1941.

Mr. AIKEN. What Executive order is that?

Mr. BAILEY. That relates wholly to the *Normandie*.

Mr. AIKEN. Does the Senator understand that this amendment would apply to vessels under American registry, or simply foreign registry?

Mr. BAILEY. This amendment relates to the ships of Denmark which we seized from Denmark and put under our registry, and then makes an exception as to the *Normandie*, for which provisions have already been made.

Mr. AIKEN. Then this amendment would not apply to American-built and American-owned ships?

Mr. BAILEY. Oh, no. It relates only to the ships which were seized from Denmark.

Mr. AIKEN. I thank the Senator.

Mr. BURTON. Mr. President, will the Senator again yield, so that I may place in the RECORD some suggestions which I should like to have considered in conference?

Mr. BAILEY. I yield.

Mr. BURTON. The amendment which I would suggest would be in line 9 of the amendment presented by the Senator from North Carolina. Following the words "military use by the United States upon" I would insert the words "owners' consent and." That language would come immediately preceding the words "certification by the Secretary of State."

Mr. BAILEY. Pursuant to the assurances I gave the Senator, I shall accept the Senator's modification of my amend-

ment with the view that it be taken to conference in good faith.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina.

Mr. BURTON. Am I to understand that the words I propose have been inserted in the amendment?

Mr. BAILEY. I agreed to do so, yes. I have accepted the Senator's modification of my amendment, and the amendment is now presented as modified.

Mr. BURTON. Has the amendment been modified?

Mr. BAILEY. Yes; by the junior Senator from Ohio.

Mr. BURTON. Mr. President, I believe it has not been modified. In order to clarify the situation I will say that I did not actually present the proposed modification, but the Senator from North Carolina accepted the words which I proposed to insert, and lest there be any confusion about it I shall make the request again.

The PRESIDING OFFICER. The Senator from North Carolina has the right to modify his amendment.

Mr. BAILEY. I have accepted the modification, and I hope that whatever may be necessary to be done in order to show that in the RECORD will be done.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina, as modified.

Mr. AIKEN. I should like to have the Senator from North Carolina clarify the matter a little further. Under the Executive order taking over these foreign ships, the President directed that they be taken in accordance with section 902 of the Merchant Marine Act. The amendment offered by the Senator from North Carolina would not be consistent with that order but would permit the Maritime Commission to arrive at what they considered a fair price for the ships with the representatives of the foreign countries. That is the effect of the amendment, is it not?

Mr. BAILEY. The effect of the amendment is to enable the Secretary of State, by negotiation, and as the amendment is modified now, by consent of the owners, and with certification by the Secretary of State, to make a just settlement with the Danish Government with respect to these ships. It is in contemplation that when they are sunk they are not to be paid for as if taken by title. We are to pay charter hire and also carry the insurance, as well as pay for the ship if lost while in our possession.

Mr. AIKEN. That would apply only to a foreign ship.

Mr. BAILEY. It would apply only to Danish ships. An exception is made with respect to the *Normandie*, for which other provision has been made.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina [Mr. BAILEY], as modified.

The amendment, as modified, was agreed to.

Mr. BAILEY. Mr. President, I offer another amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from North Carolina will be stated.

The LEGISLATIVE CLERK. On page 15, line 2, after the word "amended", it is proposed to insert "by striking out the words 'section 222' and inserting in lieu thereof the words 'sections 222 and 229 and' "; and on page 17, line 9, after the word "any", to strike out "public or private vessel" and insert in lieu thereof "American or foreign flag vessel, public or private, or any naval vessel of a foreign government."

Mr. BAILEY. Mr. President, the intent and purpose of the amendment, which I have offered at the request of representatives of the War Department, and which has been agreed to and approved by the Maritime Commission, is to give to ships in our ports, in our care, and under repair in our navy yards, the benefits of the insurance provisions of the proposed new section 229 of the act. As I understand, those ships now have the benefit of the protection afforded by section 222 of the present law. The amendment would merely extend the benefits of section 229.

At the present time a great many foreign ships are in our yards for repair. They may not be in there at our risk. I do not know as to that. They are in our yards at someone's risk. If they should be destroyed or injured in such a way as to raise the question of legal liability, and there were no insurance, the loss would then be absolute and without remedy. All the proposed amendment would do would be to provide insurance for vessels of that nature.

Mr. President, I ask for the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill (H. R. 133) was read the third time and passed.

CLARIFICATION OF FUNCTIONS OF WAR SHIPPING ADMINISTRATION

Mr. RADCLIFFE. I move that the Senate proceed to the consideration of Calendar No. 57, House bill 133, known as the bill to amend and clarify certain provisions of law relating to the functions of the War Shipping Administration, and for other purposes.

The PRESIDING OFFICER. The question is on the motion of the Senator from Maryland.

The motion was agreed to; and the Senate proceeded to consider the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, which had been reported from the Committee on Commerce with amendments.

The first amendment was, on page 3, line 25, after the name "United States", to insert:

In cases of claims referred to in clauses (2) and (3) hereof asserted against the Administrator, War Shipping Administration, or any agent of the Administrator, if the claim is settled, adjusted, or paid without suit, the aggregate fee to attorneys or agents on account of legal or other similar services rendered in connection with the claim shall not exceed $100 except that the Administrator may approve an aggregate fee not in excess of $250 when he deems such services to be of an extraordinary character, and if judgment or decree is rendered in favor of the claimant in a suit based upon such claim or a compromise of such suit is effected, the aggregate fee or payment shall not exceed such reasonable amount as the court may approve which shall not be more than 20 percent of the amount recovered. Before the payment of any such claim or judgment or decree, the attorney or agent of the claimant shall, if required by the Administrator, file an affidavit or affidavits of the attorney, agent, or the recipient or beneficiary in such form and manner as the Administrator may prescribe, showing that the aggregate fee in respect of such claim or suit does not exceed the maximum herein specified or the amount approved by the court or the Administrator, as the case may be.

The amendment was agreed to.

The next amendment was, on page 11, line 14, after the word "vessel", to strike out "owned by citizens of the United States."

The amendment was agreed to.

The next amendment was, on the same page, line 17, after the word "owner", to strike out "Upon the written recommendation of the Secretary of State, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel, the title to which has been requisitioned pursuant to the act of June 6, 1941 (Public Law 101, 77th Cong.), which shall have been lost or destroyed or converted to naval or military use by the United States."

The amendment was agreed to.

The PRESIDING OFFICER. That completes the committee amendments.

Mr. BAILEY. Mr. President, I call up and move the adoption of an amendment heretofore presented by me to the bill now under consideration and request that the proposed amendment be read for the information of the Senate before I make some explanatory remarks.

The PRESIDING OFFICER. The amendment offered by the Senator from North Carolina will be stated.

The LEGISLATIVE CLERK. On page 11, at the end of subsection (b), it is proposed to add the following:

"Such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the act of June 6, 1941 (Public Law 101, 77th Cong.), except as provided by Executive Order No. 9001-A, December 27, 1941, and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States upon certification by the Secretary of State that understanding had been reached between the United States and the diplomatic

representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941."

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from North Carolina.

Mr. BAILEY. Mr. President, this amendment relates, with one exception, to the 40 ships which the Government of the United States under the act of Congress of June 6, 1941, seized and took from the possession of the Kingdom of Denmark. I take it a good many Senators will recall the discussion at the time of the passage of the act authorizing the taking. It would clarify the matter, and, I think, fully explain the amendment, if I should read a rather brief letter from Mr. Berle, Assistant Secretary of State, who prepared the amendment at my instance and who appeared before the Committee on Commerce on November 28, 1942, and asked that the committee incorporate such an amendment in one of the shipping acts. I read the letter:

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The Department is still working on an agreement with the Danish Government on the question of just compensation for these ships and the passage of the proposed legislation should aid materially in the satisfactory finalization of this agreement.

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Mr. BAILEY. The Senator is correct.

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Mr. BURTON. Speaking to the point which has just been raised by the Senator from Michigan, and agreeing entirely with it, I have, however, a question I should like to address to the Senator from North Carolina. As I understand, these ships were privately owned.

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bidding the seizure of ships belonging to any government, it being my view that that would be an act of war. I think they were all privately owned ships.

Mr. BURTON. Starting with the premise that these ships were privately owned by Danish owners, there is included in lines 12 to 17 the clause with regard to sound ships, ships still on the seas, that "no such determination" on our part—namely, to turn them over from a status of requisition for title to one of requisition for use—"shall be made with respect to any vessel after the expiration of a period of 2 months after the date of delivery of such vessel pursuant to title requisition except with the consent of the owner." That is, no such determination would be made, as to one of these Danish ships which is on the high seas, to convert our theory from one of requisition for title to one of requisition for use, except with the consent of the owner. That is in the bill. The clause we are referring to deals, as I understand, only with those ships which have been "lost or destroyed or converted to naval or military use."

Mr. BAILEY. That is correct.

Mr. BURTON. I should like to address a question to the Senator. Would it not be in accordance with the understanding between our Secretary of State and the Danish Government, and would it not be in accordance with our desire to recognize most fully and generously and appropriately the right of the owners of these ships, if we were to make provision with respect to sunken ships on the same basis as we do with respect to the sound ships, and make the action with respect to sunken ships also subject to the owners' consent and the certification of the Secretary of State and the Danish Minister? That would be accomplished by inserting in the Senator's amendment the words "owner's consent and." Would the Senator agree that that be done?

Mr. BAILEY. I do not think so, Mr. President. Of course, I realize the force of the suggestion, but if we examine it, we find that it would put the State Department in the position of dealing with the owners. That can be done, but that would bring on no end of complications.

Mr. BURTON. May I suggest that that is what we are doing as to the sound vessels?

Mr. BAILEY. We have the question as to the owners, and we have the question as to whether or not they may be under duress in one way or another. The United States Government should deal in so large a matter through its State Department with the representatives of the Danish Government at Washington. That is the proper procedure. I can assure the Senator—I feel perfectly assured of it myself—that the Danish Minister will protect the rights of the nationals of his Government. I can assure the Senator that the State Department feels—I think pretty much as I have expressed myself here—that in this matter we must be not simply legally and strictly just, but we must be so just in our actions that there will be no question, there will be no misgiving. I would never have agreed to support the bill authorizing the requisitioning under the circumstances unless I had had such assurance. When I spoke on that subject on the floor of the Senate I quoted with a great deal of satisfaction some paragraphs from a statement made by President Woodrow Wilson on the same subject during World War No. 1. It is my view that we must put the owners of the ships and the Danish Government in position to go ahead with business the moment the war is over and the seas are clear.

We must not take any advantage of them, because we took the ships, not by their consent, but by our power. We took them on account of our own necessities, and not theirs. We have used the ships. Let us now treat the owners, not simply justly, as we might say with respect to a defendant in a court, but let us treat them so fairly that the record of history will say that the Government of the United States in its dealings under necessity may exercise arbitrary power, but that we shall not fail to make just and generous amends. That is the sort of Government over which I think, my flag flies.

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

Mr. BAILEY. Yes, I yield.

Mr. BURTON. It is in complete accordance with that policy that I recognize the propriety of the certificate from the Secretary of State and from the Danish Government, but will the Senator explain why in the case of the sound vessel, in carrying out this same policy, we depend upon the consent of the owner, but in the case of the sunken vessel we omit the consent of the owner of the vessel.

Mr. BAILEY. I think the basis of the distinction lies in the fact that the Government of the United States deals directly with its own nationals, its own citizens, but when we come to deal with a body of citizens of another nation, we deal through the duly constituted powers representing the other nation. We trust that the other nation, or its representative, will see that the cause of its nationals is properly presented. I think we can trust the State Department to make a proper disposition of their rights when dealing with their Minister and their Government.

Mr. BURTON. I can follow the Senator along that line, but in the case of the sound vessel the law provides that we shall deal directly with the owner of the vessel, and I am merely inquiring as to why there should be a different rule applied when dealing with the owner of the sound vessel than when dealing with the owner of the sunken vessel.

Mr. BAILEY. My amendment relates only to the vessel which has been sunk.

Mr. BURTON. The preceding sentence provides that we may make this conversion from requisition for title to requisition for use in the case of the sound vessel only with the owner's consent.

Mr. BAILEY. That is correct.

Mr. BURTON. If the Senator feels he cannot consent to the amendment I suggest, and if this matter goes to conference, as I presume it will, based on the amendments presented by the Senator, I wonder whether it might be appropriate to give consideration to the two sections which are being amended, and the possibility of making them treat alike the owners of ships which are sunk and the owners of ships which are not sunk.

Mr. BAILEY. Mr. President, I see no objection to taking the matter to conference, and I will also say to the Senator from Ohio that in the conference we will treat what he has to say seriously. We will not take it to conference for the purpose of burying it.

Mr. BURTON. I appreciate what the Senator says.

Mr. BAILEY. If I had authority to do so, I would be glad to name the Senator from Ohio a member of the conference committee, but, of course, the rules of the Senate provide who shall be conferees. I am perfectly willing, however, to take the matter to conference and to take it to conference in good faith.

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

Mr. BAILEY. I yield.

Mr. AIKEN. I should like to ask the Senator from North Carolina if the proposed amendment, which mentions specifically the little country of Denmark, with which we are all in sympathy, applies to vessels under the registry of any other nation as well?

Mr. BAILEY. Yes. I am glad the Senator prompted me on that point. I might have taken my seat without calling attention to the exception beginning in line 6:

Except as provided by Executive Order No. 9001-A, December 27, 1941.

Mr. AIKEN. What Executive order is that?

Mr. BAILEY. That relates wholly to the *Normandie*.

Mr. AIKEN. Does the Senator understand that this amendment would apply to vessels under American registry, or simply foreign registry?

Mr. BAILEY. This amendment relates to the ships of Denmark which we seized from Denmark and put under our registry, and then makes an exception as to the *Normandie*, for which provisions have already been made.

Mr. AIKEN. Then this amendment would not apply to American-built and American-owned ships?

Mr. BAILEY. Oh, no. It relates only to the ships which were seized from Denmark.

Mr. AIKEN. I thank the Senator.

Mr. BURTON. Mr. President, will the Senator again yield, so that I may place in the RECORD some suggestions which I should like to have considered in conference?

Mr. BAILEY. I yield.

Mr. BURTON. The amendment which I would suggest would be in line 9 of the amendment presented by the Senator from North Carolina. Following the words "military use by the United States upon" I would insert the words "owners' consent and." That language would come immediately preceding the words "certification by the Secretary of State."

Mr. BAILEY. Pursuant to the assurances I gave the Senator, I shall accept the Senator's modification of my amend-

ment with the view that it be taken to conference in good faith.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina.

Mr. BURTON. Am I to understand that the words I propose have been inserted in the amendment?

Mr. BAILEY. I agreed to do so, yes. I have accepted the Senator's modification of my amendment, and the amendment is now presented as modified.

Mr. BURTON. Has the amendment been modified?

Mr. BAILEY. Yes; by the junior Senator from Ohio.

Mr. BURTON. Mr. President, I believe it has not been modified. In order to clarify the situation I will say that I did not actually present the proposed modification, but the Senator from North Carolina accepted the words which I proposed to insert, and lest there be any confusion about it I shall make the request again.

The PRESIDING OFFICER. The Senator from North Carolina has the right to modify his amendment.

Mr. BAILEY. I have accepted the modification, and I hope that whatever may be necessary to be done in order to show that in the RECORD will be done.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina, as modified.

Mr. AIKEN. I should like to have the Senator from North Carolina clarify the matter a little further. Under the Executive order taking over these foreign ships, the President directed that they be taken in accordance with section 902 of the Merchant Marine Act. The amendment offered by the Senator from North Carolina would not be consistent with that order but would permit the Maritime Commission to arrive at what they considered a fair price for the ships with the representatives of the foreign countries. That is the effect of the amendment, is it not?

Mr. BAILEY. The effect of the amendment is to enable the Secretary of State, by negotiation, and as the amendment is modified now, by consent of the owners, and with certification by the Secretary of State, to make a just settlement with the Danish Government with respect to these ships. It is in contemplation that when they are sunk they are not to be paid for as if taken by title. We are to pay charter hire and also carry the insurance, as well as pay for the ship if lost while in our possession.

Mr. AIKEN. That would apply only to a foreign ship.

Mr. BAILEY. It would apply only to Danish ships. An exception is made with respect to the *Normandie*, for which other provision has been made.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina [Mr. BAILEY], as modified.

The amendment, as modified, was agreed to.

Mr. BAILEY. Mr. President, I offer another amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The amendment offered by the Senator from North Carolina will be stated.

The LEGISLATIVE CLERK. On page 15, line 2, after the word "amended", it is proposed to insert "by striking out the words 'section 222' and inserting in lieu thereof the words 'sections 222 and 229 and' "; and on page 17, line 9, after the word "any", to strike out "public or private vessel" and insert in lieu thereof "American or foreign flag vessel, public or private, or any naval vessel of a foreign government."

Mr. BAILEY. Mr. President, the intent and purpose of the amendment, which I have offered at the request of representatives of the War Department, and which has been agreed to and approved by the Maritime Commission, is to give to ships in our ports, in our care, and under repair in our navy yards, the benefits of the insurance provisions of the proposed new section 229 of the act. As I understand, those ships now have the benefit of the protection afforded by section 222 of the present law. The amendment would merely extend the benefits of section 229.

At the present time a great many foreign ships are in our yards for repair. They may not be in there at our risk. I do not know as to that. They are in our yards at someone's risk. If they should be destroyed or injured in such a way as to raise the question of legal liability, and there were no insurance, the loss would then be absolute and without remedy. All the proposed amendment would do would be to provide insurance for vessels of that nature.

Mr. President, I ask for the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment offered by the Senator from North Carolina.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed, and the bill to be read a third time.

The bill (H. R. 133) was read the third time and passed.

MESSAGE FROM THE SENATE

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 133. An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

OMNIBUS SHIPPING BILL—CONFERENCE

Mr. BLAND. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, with Senate amendments, disagree with the Senate amendments, and ask for a conference with the Senate.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Virginia? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. BLAND, RAMSPECK, MANSFIELD of Texas, WELCH, and O'BRIEN of New York.

CLARIFICATION OF FUNCTIONS OF WAR SHIPPING ADMINISTRATION

The VICE PRESIDENT laid before the Senate a message from the House of Representatives announcing its disagreement to the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. BAILEY. I move that the Senate insist upon its amendments, agree to the request of the House for a conference, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Vice President appointed Mr. BAILEY, Mr. RADCLIFFE, and Mr. MCNARY conferees on the part of the Senate.

MESSAGE FROM THE SENATE

The message also announced that the Senate insists upon its amendments to the bill (H. R. 133) entitled "An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. BAILEY, Mr. RADCLIFFE, and Mr. MCNARY to be the conferees on the part of the Senate.

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 248

AMENDING AND CLARIFYING LAW RELATING TO FUNCTIONS OF WAR SHIPPING ADMINISTRATION

MARCH 12, 1943.—Ordered to be printed

Mr. BLAND, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 133]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 1.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 5, and 6; and agree to the same.

Amendment numbered 4:

That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *Except as provided by Executive Order Numbered 9001-A, December 27, 1941, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States, upon owner's consent and certification by the Secretary of State that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at*

the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941; and the Senate agree to the same.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.

JOSIAH W. BAILEY,
GEORGE L. RADCLIFFE,
CHAS. L. MCNARY,
Managers on the part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

Amendment No. 1: This amendment prescribes limitations on the amounts of attorneys' fees in the prosecution and enforcement of claims and suits thereon against the War Shipping Administrator or any of his agents, on account of death, injury, illness, maintenance and cure, loss of effects, detention, or repatriation, wages, allotments, etc., on behalf of seamen (or their dependents) who are employees of the United States through the War Shipping Administration. The House bill contained no similar provision. The Senate recedes.

Amendment No. 2: Section 3 (b) of the House bill provides that the exercise of authority to convert requisition of title to a vessel into a requisition of the use thereof shall be carried out, in the case of a vessel owned by a citizen of the United States, only within 2 months after the delivery of the vessel under the original requisition of title, unless the owner consents to such conversion. Amendment No. 2 strikes out the reference to ownership of the vessel by citizens of the United States so that the provision as to the limitation on time of conversion without consent of the owner applies to any vessel whether domestic or foreign. The House recedes from its disagreement to this amendment.

Amendment No. 3: This amendment deletes the last sentence of section 3 (b) relating to the authority to convert title requisition to use requisition in cases where foreign vessels have been lost or destroyed or converted to military or naval use by the United States. The House recedes on this amendment inasmuch as amendment No. 4, covering the same subject matter in more specific language has been agreed upon in conference.

Amendment No. 4: This amendment in effect substituted for the sentence stricken by Senate amendment No. 3, a provision to the effect that, with respect to any vessel (except a vessel covered by Executive Order No. 9001–A) title to which was requisitioned under the Foreign Vessels Requisition Act of June 6, 1941, and which vessel thereafter was lost or destroyed or converted to military or naval use, the War Shipping Administrator may make a determination converting title requisition to use requisition, if the owner of the vessel consents and if the Secretary of State makes the required certification as to the diplomatic understanding concerning the requisition of the vessel. Such certification shall set forth that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that title requisition of the vessel instead of requisition for use was necessitated

by the circumstances existing at the time of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941. The amendment thus requires before action may be taken under it, the loss, destruction, or conversion for Government use of the requisitioned foreign vessel, the consent of the owner to the action, a preexisting diplomatic understanding as to the conditions under which title requisition was resorted to rather than use requisition, and a certification by the Secretary of State that the understanding called for return of the requisitioned vessel after the termination of the unlimited national emergency. The representatives of the State Department have stated that the requirements can be met by the nationals of only one country whose vessels were put in service for the United States through title requisition.

The House recedes from its disagreement to the Senate amendment, with an amendment which transposes a clause in the amendment in the interest of grammatical clarity.

Amendment No. 5: Under section 224 (a) of the War Risk Insurance Act, as amended by section 3 (f) of the House bill, any Government agency may procure insurance from the War Shipping Administration as provided in section 222 of the War Risk Insurance Act (relating to war risk insurance on hulls, crews, and cargoes) and as provided in section 10 of the Merchant Marine Act, 1920, as amended (relating to marine insurance on vessels in which the Government has an interest). Amendment No. 5 would authorize any such agency to procure insurance from the War Shipping Administration as provided in section 229 of the War Risk Insurance Act, section 229 being added to such act by section 3 (i) of the House bill (relating to builders' risk insurance for persons performing services or providing facilities for vessels, such as repair). The conference agreement adopts the Senate amendment.

Amendment No. 6: This amendment makes more specific the scope of the term "public or private vessel" in section 229 of the War Risk Insurance Act (as amended by sec. 3 (i) of the House bill) by substituting for the term "public or private vessel" the words "American or foreign flag vessel, public or private, or any naval vessel of a foreign government". The House recedes.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.

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CLARIFICATION OF FUNCTIONS OF WAR SHIPPING ADMINISTRATION—CONFERENCE REPORT

Mr. BAILEY submitted the following report:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 183) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 1.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 5, and 6, and agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "Except as provided by Executive Order Numbered 9001-A, December 27, 1941, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States, upon owner's consent and certification by the Secretary of State that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941."; and the Senate agree to the same.

JOSIAH W. BAILEY,
GEORGE L. RADCLIFFE,
CHAS. L. MCNARY,
Managers on the part of the Senate.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.

Mr. McNARY. Mr. President, a moment ago the able Senator from New Hampshire [Mr. BRIDGES] stated he desired to ask a question or two about this conference report before it should be acted upon. Will the Senator from North Carolina wait a few moments until the Senator from New Hampshire can return to the floor?

Mr. BARKLEY. Mr. President, I should like to take advantage of this moment to express the hope that we may proceed without unnecessary delay to dispose of the deficiency appropriation bill, and then proceed without unnecessary delay to dispose of the Bankhead bill. I have a feeling that it is possible to dispose of that measure today, and it is very desirable to do so, in order that the Senate may not be compelled to have a session tomorrow. I had contemplated the Senate adjourning over until Tuesday, if we finish both these bills today, and I still hope that that may be done. I have reason to believe we may be able to do it.

Mr. BRIDGES. Mr. President, I have obtained the information I wanted, so I have no objection to the Senate proceeding to consider the report.

Mr. BAILEY. Mr. President, it is only necessary to say that the House conferees have agreed to the Senate amendment. The Senate receded from the amendment known as No. 1. That was an amendment offered in the committee by the senior Senator from Louisiana [Mr. OVERTON], fixing the compensation of attorneys in recoveries against the Shipping Administration on account

of injuries to seamen. I thought it was a good amendment, and so did the Senate conferees. However, there was a demand made for hearings. The demand was made by representatives of labor organizations. I would not like to say that they are opposed to limitation of fees of attorneys in such matters. I think the fees ought to be limited. But we could not agree. I thought it well to recede, with the view to coming back with an independent bill at a later time and providing hearings. So with that amendment stricken out, the bill is as it passed the Senate, with the exception of a little change in the construction of a sentence, which does not change the meaning in any degree.

Mr. President, I move the adoption of the report.

Mr. OVERTON. Mr. President, may I ask on what ground the House conferees rejected the amendment?

Mr. BAILEY. I undertook to make a statement about it. I do not wish to say anything which would tend to the prejudice of the conferees on the part of the House. We received a great many protests from labor organizations. I received a good many messages myself by wire. I think similar protests were lodged in the House. At any rate the House conferees took the view that since there had been no hearings on this particular phase of the matter, we would really lose nothing by delaying a little while, and coming in with an independent bill, after having given those who wished to be heard an opportunity to be heard.

Certainly I do not subscribe to the view that we ought to add a fifth freedom to the four, and have freedom for shyster lawyers. I supported the amendment offered by the Senator from Louisiana. But there are a great many important matters in the bill. We have in it provisions with respect to seamen; we have in it a provision giving the Government the right to take 2 months in which to ascertain the condition of ships which it seizes in order to transfer title to charter, and we have in it the matter of compensation for certain ships which were seized by the Government. All those are matters which ought to be provided for regardless of the question of the compensation of attorneys.

I dislike to leave the matter open, but under the circumstances I thought it best to recede. However, I hope to come back some time with a workmen's compensation bill which will provide compensation for those who are injured, and will fix attorneys' fees, but it cannot be done now without encountering a great deal of friction and some delay.

Mr. OVERTON. Mr. President, I wish to make the observation that I accede to the statement made by the able Senator from North Carolina. While I am the author of this amendment, yet it was unanimously reported by the Senate Committee on Commerce. It is not a new question. The question of the charges made by shyster attorneys is one which has been before our committee for several years. Charges by shyster attorneys have been outrageous in a great many instances. They have been bleeding the seamen. This is a bill which provides for the institution of action against representatives of the Federal Government, and I thought it was an opportune time, since the Government was directly concerned, to insert such a provision. I am very glad, however, to hear from the able chairman of the Senate Committee on Commerce that this bill will in all probability be followed by some other bill in which such a provision can be inserted, which will do justice to the seamen.

Mr. BAILEY. Mr. President, I move that the Senate agree to the report.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

MESSAGE FROM THE SENATE

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) entitled "An Act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes."

FUNCTIONS OF WAR SHIPPING ADMINISTRATION

Mr. BLAND. Mr. Speaker, I call up the conference report on the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. The gentleman from Virginia calls up a conference report and asks unanimous consent that the statement be read in lieu of the report. Is there objection?

There was no objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendment numbered 1.

That the House recede from its disagreement to the amendments of the Senate numbered 2, 3, 5, and 6; and agree to the same.

Amendment numbered 4: That the House recede from its disagreement to the amendment of the Senate numbered 4, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "Except as provided by Executive Order Numbered 9001-A, December 27, 1941, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States, upon owner's consent and certification by the Secretary of State that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941"; and the Senate agree to the same.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.

JOSIAH W. BAILEY,
GEORGE L. RADCLIFFE,
CHAS. L. MCNARY,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon and recommended in the accompanying conference report as to each of such amendments, namely:

Amendment No. 1: This amendment prescribes limitations on the amounts of attorneys' fees in the prosecution and enforcement of claims and suits thereon against the War Shipping Administrator or any of his agents, on account of death, injury, illness, maintenance and cure, loss of effects, detention, or repatriation, wages, allotments, etc., on behalf of seamen (or their dependents) who are employees of the United States through the War Shipping Administration. The House bill contained no similar provision. The Senate recedes.

Amendment No. 2: Section 3 (b) of the House bill provides that the exercise of authority to convert requisition of title to a vessel into a requisition of the use thereof shall be carried out, in the case of a vessel owned by a citizen of the United States, only within 2 months after the delivery of the vessel under the original requisition of title, unless the owner consents to such conversion. Amendment No. 2 strikes out the reference to ownership of the vessel by citizens of the United States so that the provision as to the limitation on time of conversion without consent of the owner applies to any vessel whether domestic or foreign. The House recedes from its disagreement to this amendment.

Amendment No. 3: This amendment deletes the last sentence of section 3 (b) relating to the authority to convert title requisition to use requisition in cases where foreign vessels have been lost or destroyed or converted to military or naval use by the United States. The House recedes on this amendment inasmuch as amendment No. 4, covering the same subject matter in more specific language, has been agreed upon in conference.

Amendment No. 4: This amendment in effect substituted for the sentence stricken by Senate amendment No. 3, a provision to the effect that, with respect to any vessel (except a vessel covered by Executive Order No. 9001-A) title to which was requisitioned under the Foreign Vessels Requisition Act of June 6, 1941, and which vessel thereafter was lost or destroyed or converted to military or naval use, the War Shipping Administrator may make a determination converting title requisition to use requisition, if the owner of the vessel consents and if the Secretary of State makes the required certification as to the diplomatic understanding concerning the requisition of the vessel. Such certification shall set forth that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that title requisition of the vessel instead of requisition for use was necessitated by the circumstances existing at the time of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941. The amendment thus requires before action may be taken under it, the loss, destruction, or conversion for Government use of the requisitioned foreign vessel, the consent of the owner to the action, a preexisting diplomatic understanding as to the conditions under which title requisition was resorted to rather than use requisition, and a certification by the Secretary of State that the understanding called for return of the requisitioned vessel after the termination of the unlimited national emergency. The representatives of the State Department have stated that the requirements

can be met by the nationals of only one country whose vessels were put in service for the United States through title requisition.

The House recedes from its disagreement to the Senate amendment, with an amendment which transposes a clause in the amendment in the interest of grammatical clarity.

Amendment No. 5: Under section 224 (a) of the War Risk Insurance Act, as amended by section 3 (f) of the House bill, any Government agency may procure insurance from the War Shipping Administration as provided in section 222 of the War Risk Insurance Act (relating to war risk insurance on hulls, crews, and cargoes) and as provided in section 10 of the Merchant Marine Act, 1920, as amended (relating to marine insurance on vessels in which the Government has an interest). Amendment No. 5 would authorize any such agency to procure insurance from the War Shipping Administration as provided in section 229 of the War Risk Insurance Act, section 229 being added to such act by section 3 (i) of the House bill (relating to builders' risk insurance for persons performing services or providing facilities for vessels, such as repair). The conference agreement adopts the Senate amendment.

Amendment No. 6: This amendment makes more specific the scope of the term "public or private vessel" in section 229 of the War Risk Insurance Act (as amended by sec. 3 (i) of the House bill) by substituting for the term "public or private vessel" the words "American or foreign flag vessel, public or private, or any naval vessel of a foreign government." The House recedes.

S. O. BLAND,
ROBERT RAMSPECK,
J. J. MANSFIELD,
RICHARD J. WELCH,
JOSEPH J. O'BRIEN,
Managers on the part of the House.

Mr. MARTIN of Massachusetts. Mr. Speaker, is the gentleman from California aware that this matter is coming up?

Mr. BLAND. Yes. This comes to the House with a unanimous report.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

MESSAGE FROM THE HOUSE

The message further announced that the House had agreed to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 133) to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

[PUBLIC LAW 17—78TH CONGRESS]

[CHAPTER 26—1ST SESSION]

[H. R. 133]

AN ACT

To amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) officers and members of crews (hereinafter referred to as "seamen") employed on United States or foreign flag vessels as employees of the United States through the War Shipping Administration shall, with respect to (1) laws administered by the Public Health Service and the Social Security Act, as amended by subsection (b) (2) and (3) of this section; (2) death, injuries, illness, maintenance and cure, loss of effects, detention, or repatriation, or claims arising therefrom not covered by the foregoing clause (1); and (3) collection of wages and bonuses and making of allotments, have all of the rights, benefits, exemptions, privileges, and liabilities, under law applicable to citizens of the United States employed as seamen on privately owned and operated American vessels. Such seamen, because of the temporary wartime character of their employment by the War Shipping Administration, shall not be considered as officers or employees of the United States for the purposes of the United States Employees Compensation Act, as amended; the Civil Service Retirement Act, as amended; the Act of Congress approved March 7, 1942 (Public Law 490, Seventy-seventh Congress); or the Act entitled "An Act to provide benefits for the injury, disability, death, or detention of employees of contractors with the United States and certain other persons or reimbursement therefor", approved December 2, 1942 (Public Law 784, Seventy-seventh Congress). Claims arising under clause (1) hereof shall be enforced in the same manner as such claims would be enforced if the seaman were employed on a privately owned and operated American vessel. Any claim referred to in clause (2) or (3) hereof shall, if administratively disallowed in whole or in part, be enforced pursuant to the provisions of the Suits in Admiralty Act, notwithstanding the vessel on which the seaman is employed is not a merchant vessel within the meaning of such Act. Any claim, right, or cause of action of or in respect of any such seaman accruing on or after October 1, 1941, and prior to the date of enactment of this section may be enforced, and upon the election of the seaman or his surviving dependent or beneficiary, or his legal representative to do so shall be governed, as if this section had been in effect when such claim, right, or cause of action accrued, such election to be made in accordance with rules and regulations prescribed by the Administrator, War Shipping Administration. Rights of any seaman under the Social Security Act, as amended by subsection (b) (2) and (3), and claims therefor shall be governed solely by the provisions of such Act, so amended. When used in this subsection the term "administratively disallowed" means

a denial of a written claim in accordance with rules or regulations prescribed by the Administrator, War Shipping Administration. When used in this subsection the terms "War Shipping Administration" and "Administrator, War Shipping Administration" shall be deemed to include the United States Maritime Commission with respect to the period beginning October 1, 1941, and ending February 11, 1942, and the term "seaman" shall be deemed to include any seaman employed as an employee of the United States through the War Shipping Administration on vessels made available to or subchartered to other agencies or departments of the United States.

(b) (1) Section 1426 of the Internal Revenue Code (53 Stat. 177, 1383; 26 U. S. C. 1426) is amended by adding at the end thereof the following new subsection:

"(i) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission. The term 'wages' means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection."

(2) Section 209 of the Social Security Act, as amended (U. S. C., title 42, sec. 409), is amended by adding at the end thereof the following new subsection:

"(o) (1) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term 'employment' shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission.

"(2) The Social Security Board shall not make determinations as to whether an individual has performed services which are employment by reason of this subsection, or the periods of such services, or the amounts of remuneration for such services, or the periods in which or for which such remuneration was paid, but shall accept

the determinations with respect thereto of the Administrator, War Shipping Administration, and such agents as he may designate, as evidenced by returns filed by such Administrator as an employer pursuant to section 1426 (i) of the Internal Revenue Code and certifications made pursuant to this subsection. Such determinations shall be final and conclusive.

"(3) The Administrator, War Shipping Administration, is authorized and directed, upon written request of the Social Security Board, to make certification to it with respect to any matter determinable for the Board by the War Shipping Administrator under this subsection, which the Board finds necessary in administering this title.

"(4) This subsection shall be effective as of September 30, 1941."

(3) Section 907 of the Social Security Act Amendments of 1939 is amended by inserting after the phrase "attaining age sixty-five," the following: "and 1 per centum of any wages paid him for services which constitute employment by virtue of subsection (o) of section 209 of the Social Security Act, as amended,".

(c) The War Shipping Administration and its agents or persons acting on its behalf or for its account may, for convenience of administration, with the approval of the Administrator, make payments of any taxes, fees, charges, or exactions to the United States or its agencies.

SEC. 2. (a) Section 222 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by inserting before the period at the end thereof a semicolon and the following: "and, whenever the Commission shall insure any risks included under subsection (d) or (e) of this section, or under this subsection insofar as it concerns liabilities relating to the master, officers, and crews of such vessels or to other persons transported thereon, the insurance on such risks may include marine risks to the extent that the Commission determines to be necessary or advisable".

(b) Whenever the Administrator, War Shipping Administration, finds that, on or after October 1, 1941, and before thirty days after the date of enactment of this subsection, a master, officer, or member of the crew of, or any persons transported on, a vessel owned by or chartered to the Maritime Commission or the War Shipping Administration or operated by, or for the account of, or at the direction or under the control of the Commission or the Administration, has suffered death, injury, detention, or other casualty, for which the War Shipping Administration would be authorized to provide insurance under Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended by this Act, the Administrator may declare that such death, injury, detention, or other casualty, shall be deemed and considered to be covered by such insurance at the time of the disaster or accident, if the Administrator finds that such action is required to make equitable provision for loss or injury related to the war effort and not otherwise adequately provided for: *Provided*, That in making provision for insurance under this subsection the Administrator shall not provide for payments in excess of those generally provided for in comparable cases under insurance hereafter furnished under the said Subtitle—Insurance of Title II, as amended: *Provided further*, That any money paid to any person by reason of insurance provided for

under this subsection shall apply in pro tanto satisfaction of the claim of such person against the United States arising from the same loss or injury. The declarations, findings, and actions of or by the Administrator under this subsection shall be final and conclusive.

SEC. 3. (a) The second proviso of section 1 of the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), as amended, is hereby amended to read as follows: "*Provided further*, That such compensation hereunder, or advances on account thereof, shall be deposited with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within six months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisition or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(b) The Administrator, War Shipping Administration, may determine at any time prior to the payment in full or deposit in full with the Treasurer of the United States, or the payment or deposit of 75 per centum, of just compensation therefor that the ownership of any vessel (the title to which has been requisitioned pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress)), is not required by the United States, and after such determination has been made and notice thereof has been published in the Federal Register, the use rather than the title to such vessel shall be deemed to have been requisitioned for all purposes as of the date of the original taking: *Provided*, *however*, That no such determination shall be made with respect to any vessel after the expiration of a period of two months after the date of delivery of such vessel pursuant to title requisition except with the consent of the owner. Except as provided by Executive Order Numbered 9001–A, December 27, 1941, such a determination may be made by the Administrator, War Shipping Administration, with respect to any vessel title to which has been requisitioned pursuant to the Act of June 6, 1941 (Public Law 101,

Seventy-seventh Congress), and which vessel thereafter has been lost or destroyed or converted to naval or military use by the United States, upon owner's consent and certification by the Secretary of State that understanding had been reached between the United States and the diplomatic representatives of the country of which the owner of such vessel was a national, that such title requisition instead of requisition for use was necessitated by the circumstances existing at the date of requisitioning, but that such vessel should be returned after the termination of the national emergency declared by the President on May 27, 1941.

(c) In the event that a vessel the title or use and possession of which is requisitioned or taken pursuant to section 902 of the Merchant Marine Act, 1936, as amended, or the Act of June 6, 1941 (Public Law 101, Seventy-seventh Congress), is in the custody of any court, State or Federal, it shall be the duty of all agents and officers of the court having possession, custody, or control of said vessel, forthwith upon the filing with the clerk of said court of a certified copy of the order of requisitioning or taking, and without further order of the court, to comply with said requisitioning or taking and to permit the representatives of the United States Maritime Commission or the War Shipping Administration, as the case may be, to take possession, custody, and control of said vessel.

(d) Section 902 of the Merchant Marine Act, 1936, as amended, is hereby amended by adding at the end of subsection (d) thereof a paragraph to read as follows:

"The existence of any valid claim by way of mortgage or maritime claim or attachment lien upon such vessel shall not prevent the taking thereof pursuant to this section: *Provided, however,* That in the event any such claim exists the United States Maritime Commission may in its discretion deposit such portion of the compensation hereunder, or advances on account thereof, as may equal but not exceed the amount of such claims in respect of the vessel, with the Treasurer of the United States, and the fund so deposited shall be available for the payment of such compensation, and shall be subject to be applied to the payment of the amount of any valid claim by way of mortgage or maritime lien or attachment lien upon such vessel, or of any stipulation therefor in a court of the United States, or of any State, subsisting at the time of such requisition or taking of title or possession; the holder of any such claim may commence prior to June 30, 1943, or within six months after the first such deposit with the Treasurer and publication of notice thereof in the Federal Register, whichever date is later, and maintain in the United States district court from whose custody such vessel has been or may be taken or in whose territorial jurisdiction the vessel was lying at the time of requisitioning or taking of title or possession, a suit in admiralty according to the principles of libels in rem against the fund, which shall proceed and be heard and determined according to the principles of law and to the rules of practice obtaining in like cases between private parties, and any decree in said suit shall be paid out of the first and all subsequent deposits of compensation; and such suit shall be commenced in the manner provided by section 2 of the Suits in Admiralty Act and service of process shall be made in the manner therein provided by service upon the United States attorney and by mailing by

registered mail to the Attorney General and the United States Maritime Commission and due notice shall under order of the court be given to all interested persons, and any decree shall be subject to appeal and revision as now provided in other cases of admiralty and maritime jurisdiction."

(e) (1) The second sentence of section 223 of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by inserting before the period at the end thereof a comma and the following: "but the Commission may allow fair and reasonable compensation to any company authorized to do an insurance business in any State of the United States for servicing insurance written by such company as an underwriting agent for the Commission, and such compensation may include an allowance for expenses reasonably incurred by such agent but such expenses shall not include any commission paid by such agent in excess of 5 per centum of the premiums in respect of such insurance".

(2) The last sentence of such section 223 is amended by striking out the clause in parentheses, and by inserting before the period at the end of such sentence a comma and the following: "but in no case shall such allowance to the carrier provide for payment by the carrier of commissions in excess of 5 per centum of the premiums paid for that portion of the direct insurance so reinsured".

(f) Section 224 (a) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by striking out the words "section 222" and inserting in lieu thereof the words "sections 222 and 229" and by inserting after the word "subtitle" and before the comma following such word the words "or in section 10 of the Merchant Marine Act, 1920, as amended".

(g) Section 225 of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by adding at the end thereof the following: "All persons having or claiming to have an interest in such insurance, or who it is believed might assert such an interest, may be made parties to such suit, either initially or upon the motion of either party. In any case where the Commission acknowledges the indebtedness of the United States on account of such insurance, and there may be a dispute as to the person or persons entitled to receive payment, the United States may bring an action in the nature of a bill of interpleader against the persons having or claiming to have any interest in such insurance, or who it is believed might assert such an interest, in the District Court of the United States for the District of Columbia, or in the district court in and for the district in which any such person resides. In either of such actions any person claiming to have an interest in such insurance, or who it is believed might assert such an interest, if not an inhabitant of or found within the district within which either of such actions is brought, may be brought in by order of the court to be served personally or by publication or in such other reasonable manner as the court may direct, and if it be shown to the satisfaction of the court that persons unknown might assert a claim on account of such insurance, the court may direct service upon such persons unknown by publication in the Fed-

eral Register. Judgment in any such action shall discharge the United States from further liability to any parties to such action, and to all persons where service by publication upon persons unknown is directed by the court. The procedure herein provided shall apply to all actions now pending against the United States under the provisions of this subtitle, as amended."

(h) Section 226 (f) of Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by adding at the end thereof a new paragraph to read as follows:

"(3) The term 'risks of war' shall include those losses which, in accordance with commercial practice prevailing from time to time, are excluded from marine insurance coverage under 'free of capture and seizure' clauses or clauses analogous thereto."

(i) Subtitle—Insurance of Title II of the Merchant Marine Act, 1936, as amended (Public Law 523, Seventy-seventh Congress), is amended by adding at the end thereof a section to read as follows:

"SEC. 229. In addition to the insurance functions authorized by the other sections of this subtitle, the War Shipping Administration may insure directly, or may reinsure in whole or in part any company authorized to do business in any State in the United States and which shall insure directly, any person who shall perform services or provide facilities for or with respect to any American or foreign flag vessel, public or private, or any naval vessel of a foreign government against legal liabilities (except liability to employees in respect of employer's liability and workmen's compensation) that may be incurred by such person in connection with the performance of such services or the providing of such facilities, whenever in the opinion of the Administrator, War Shipping Administration, such insurance or reinsurance is required in the prosecution of the war effort and cannot be obtained at reasonable rates or upon reasonable conditions from approved companies authorized to do an insurance business in any State of the United States."

(j) The clause in parentheses in the first sentence of section 3 (b) of the Act of June 6, 1941, as amended (Public Law 101, Seventy-seventh Congress), is amended to read as follows: "(including any interest or liability of the owner, charterer, or agent)".

(k) The second sentence of section 4 of such Act of June 6, 1941, is amended by inserting after the words "national defense" and before the semicolon a comma and the following: "and when so chartered or operated may be insured as provided in said section 3".

SEC. 4. The United States shall, with respect to vessels owned by or chartered to the War Shipping Administrator under bareboat charter or time charter or operated directly by such Administrator or for his account, be entitled to the benefits of all exemptions and of all limitations of liability accorded by law to the owners of vessels. With respect to any such vessel, the term "the United States" shall include agents or other persons acting for or on behalf of the Administrator in connection with the operation thereof.

SEC. 5. The provisions of section 1 (a) of this Act shall remain in force until the termination of title 1 of the First War Powers Act, 1941. The termination of the provisions of such section shall not affect any act done or any right accruing or accrued, or any suit

or proceeding had or commenced in any cause before such termination, but all rights and liabilities under law as modified by such provisions shall continue, and may be enforced in the same manner as if such provisions had not terminated. The authority conferred upon the United States Maritime Commission by any provision of this Act shall be vested in and exercised by the Administrator of the War Shipping Administration in conformity with the Executive order of February 7, 1942 (Numbered 9054; 7 F. R. 837), as heretofore or hereafter amended.

Approved March 24, 1943.

Calendar No. 620

78TH CONGRESS, 1st Session | SENATE | REPORT No. 607

IMPORTATION OF CERTAIN LIVESTOCK FEED FREE OF DUTY AND SUSPENSION OF INCREASE IN FEDERAL INSURANCE CONTRIBUTIONS TAX RATES

DECEMBER 17 (legislative day, DECEMBER 15), 1943.—Ordered to be printed

Mr. VANDENBERG, from the Committee on Finance, submitted the following

REPORT

[To accompany H. J. Res. 171]

The Committee on Finance, to whom was referred the joint resolution (H. J. Res. 171) to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed, having considered the same, report favorably thereon with amendments and recommend that the joint resolution, as amended, do pass.

The joint resolution, as passed by the House, would permit the free importation into the United States, the District of Columbia, the Territories, Puerto Rico, and the Virgin Islands, for a period of 90 days, of wheat, oats, barley, rye, flax, cottonseed, or hay, or products in chief value of one or more of the foregoing or derivatives thereof, when they are to be used as, or as a constituent part of, feed for livestock and poultry. The increased production of livestock and poultry which is necessary to meet the present large demands, together with the severe drought conditions which prevailed in certain areas during this year, has resulted in acute shortage of livestock and poultry feed in many sections of the United States and in sharp increases in prices. It is the purpose of this legislation to help relieve these conditions by making available to livestock and poultry producers feed in greater quantities and at lower prices.

The committee amendment postpones for 2 months the increase in the tax rate under the Federal Insurance Contributions Act. Under existing law the present rates of 1 percent on the employee and 1 percent on the employer will automatically increase to 2 percent on each on January 1, 1944. In the consideration of the revenue bill of 1943, which is now before the Finance Committee, the committee has agreed to an amendment to that bill which would postpone

the increase in these rates until January 1, 1945. However, it now appears that the revenue bill will not become law before January 1, 1944.

If the increase in these rates is permitted to take effect, pending the final determination of the question as to whether or not the increase should be postponed for a year, it will be necessary for employers to begin making pay-roll deductions at the higher rate from January 1, 1944. This would involve a tremendous amount of clerical and administrative work which would be totally unnecessary if the increase in rates is to be postponed until 1945. Moreover, if the revenue bill when enacted should then provide for postponing the increase until January 1, 1945, it would be necessary to provide for refunds of part of the taxes which had been collected at the higher rate. Under these circumstances it seems evident that it is wise to postpone the increase temporarily until the Congress has an opportunity to determine whether or not it should be postponed for another year.

O

Calendar No. 620

78TH CONGRESS
1ST SESSION

H. J. RES. 171

[Report No. 607]

IN THE SENATE OF THE UNITED STATES

DECEMBER 9 (legislative day, DECEMBER 7), 1943
Read twice and referred to the Committee on Finance

DECEMBER 17 (legislative day, DECEMBER 15), 1943
Reported by Mr. VANDENBERG, with amendments

[Insert the part printed in italic]

JOINT RESOLUTION

To permit the importation from foreign countries free of duty, during a period of ninety days, of certain grains and other products to be used for livestock and poultry feed.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of the Tariff Act of 1930, the following, when imported into the United States from foreign countries, and when entered, or withdrawn from warehouse, for consumption, during the period of ninety days beginning with the day following the date of enactment of this joint resolution, to be used as, or as a constituent part of, feed for livestock and poultry, shall be

exempt from duty: Wheat, oats, barley, rye, flax, cottonseed, corn, or hay, or products in chief value of one or more of the foregoing or derivatives thereof: *Provided,* That this Act shall not be construed to authorize the importation of wheat for milling purposes. As used in this joint resolution the term "United States" means the several States, the District of Columbia, the Territories, Puerto Rico, and the Virgin Islands.

SEC. 2. The exemptions from duties provided for by this joint resolution shall be subject to compliance with regulations to be prescribed by the Secretary of the Treasury.

SEC. 3. (a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and the first two calendar months of the calendar year 1944, the rate shall be 1 per centum.

"(2) With respect to wages received during the last ten calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and the first two calendar months of the calendar year 1944, the rate shall be 1 per centum.

"(2) With respect to wages paid during the last ten calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 per centum."

Amend the title so as to read: "Joint resolution to permit the importation from foreign countries free of duty, during a period of ninety days, of certain grains and other products to be used for livestock and poultry feed, and suspending for two months the increase in the tax rates under the Federal Insurance Contributions Act.

Passed the House of Representatives December 8, 1943.

Attest: SOUTH TRIMBLE,

Clerk.

portation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed, and I submit a report (No. 607) thereon. One of the amendments of the Committee on Finance undertakes to treat the social-security pay-roll tax problem for the next 60 days by precisely the same sort of a formula which it is proposed to use in connection with the Commodity Credit Corporation problem.

I am instructed by the committee, and I have the consent of the majority leader, to say that after the pending business is concluded I shall ask unanimous consent for the consideration of this matter later in the day.

Mr. BARKLEY. Mr. President, I wish to say in that connection that the Senator from Michigan has correctly stated the situation. The action recommended by the committee is necessary to be taken on the House joint resolution dealing with the temporary suspension of import duties on certain feeds for the relief of dairies and cattle and other stock feeders in the United States, which is a tax measure.

The main tax bill cannot be enacted into law before Christmas. That being true, the pay-roll tax automatically would be stepped up on the 1st day of January, and the only way that can be avoided under the action of the Finance Committee, which has adopted the same proposal as an amendment to the tax bill, is to add it as an amendment to the joint resolution to which the Senator from Michigan has called attention. It is agreeable that as soon as the Senate shall have disposed of Senate Joint Resolution 103 that the joint resolution be taken up because it is necessary to obtain action in the House in order that the purposes to be carried out may be effected.

The VICE PRESIDENT. Without objection, the report will be received and the joint resolution will be placed on the calendar.

IMPORTATION OF LIVESTOCK FEED—SOCIAL-SECURITY PAY-ROLL TAX—REPORT OF FINANCE COMMITTEE

Mr. VANDENBERG. Mr. President, from the Committee on Finance I report back favorably with amendments House Joint Resolution 171, to permit the im-

IMPORTATION OF LIVESTOCK FEED—SOCIAL SECURITY PAY-ROLL TAX

Mr. VANDENBERG. Mr. President, pursuant to the program announced earlier in the day by the majority leader, I ask unanimous consent that the Senate proceed to the consideration of House Joint Resolution 171.

The PRESIDING OFFICER. The joint resolution will be stated by title.

The CHIEF CLERK. A joint resolution (H. J. Res. 171) to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed.

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the Senate proceeded to consider the joint resolution, which had been reported from the Committee on Finance with an amendment.

Mr. MURRAY. Mr. President, I understand it is the purpose of the Senator from Michigan to propose an amendment to House Joint Resolution 171, affecting the Social Security Act. Is that true?

Mr. VANDENBERG. If the Senator will permit me I shall make a very brief statement to indicate what is contemplated, and the necessity for it.

Mr. President, the Senate Finance Committee has voted by a very large majority in favor of maintaining the 1-percent pay-roll tax under social security, a tax which under the existing statute otherwise would automatically increase to 2 percent on New Year's Day. That action of the Senate Finance Committee is in connection with the pending tax bill. Unfortunately the tax bill cannot reach the Senate for final action before the new year. Therefore, beginning on New Year's Day, except as we deal with the situation today, there will be a state of confusion and chaos in respect to the pay-roll taxes, because, while there will be pending a provision for the freezing of the pay-roll tax, yet the action achieving that result will not occur until later in January.

Therefore the Senate Finance Committee yesterday unanimously recommended that House Joint Resolution 171, the only available House bill before the Senate, be used as a vehicle to give this problem precisely the same kind of treatment which has been given to the Commodity Credit Corporation problem. In other words, as reported, the joint resolution carries an amendment which has the unanimous approval of the Senate Finance Committee and simply freezes the situation for 60 days until Congress has a chance to deal finally and definitely with the question of what the pay-roll tax shall be in 1944. Unless this is done, Mr. President, every employer in this country and every employee on social security, 40,000,000 of them, will be in a state of confusion during the first 2 or 3 weeks in January. Employers will have temporarily to change their withholding bases, employees will temporarily have to increase their contributions, yet the whole thing may retroactively be changed when the tax bill is passed.

The sole purpose of the amendment, I will say to my able friend the junior Senator from Montana, is not at all to settle the question of what shall be the pay-roll tax when it is standardized for next year. I may say to the Senator that in the committee those members who oppose the "freezing" of the pay-roll tax next year agreed that this device is necessary in order to prevent during the first few weeks in January a state of utter confusion which would involve every employer in the country and every employee on social security.

Mr. MURRAY. Mr. President, I should like to inquire from the able senior Senator from Michigan if it is not a fact that the representatives of the labor unions appeared at the hearings and objected to the action proposed by the Senator.

Mr. VANDENBERG. The Senator is not discussing the pending question; the Senator is asking me whether the labor unions do not oppose the "freeze" for 1944.

Mr. MURRAY. Yes.

Mr. VANDENBERG. The Senator is entirely correct; but I suggest to him that that question is not involved today. We are not at all prejudging the issue for 1944. We are simply endeavoring to create a situation whereby Congress can deal with the issue after January without an interim of utter chaos and confusion when employers and employees will not know what the withholding tax is ultimately to be.

Mr. MURRAY. It would seem to me that this matter is one of such vital importance and serious consequence that it should not be disposed of in this manner, as a rider to a measure which is utterly unrelated to the subject.

Mr. VANDENBERG. If the Senator will permit me, let me say that I am afraid I have not made it plain that we are not proposing to dispose of anything. We are simply endeavoring to create a 60-day period during which the Senate and the House will have time to act.

Mr. MURRAY. Of course. However, that would lay the basis for the taking of action within that period for the purpose of preventing the rise in the pay-roll tax, a rise which is necessary in order to carry out the purposes of the Social Security Act.

Mr. VANDENBERG. I would not so construe the proposed action of the Senate, I will say to the Senator; and I certainly would not undertake to use the action today as any precedent or as any prejudice in connection with the fundamental question. I agree with the Senator that the fundamental question should have full and complete consideration by the Senate and by the House. The only thing in the world we are proposing to do is to create such a situation that the Senate and the House can give the subject the full consideration which I agree with the Senator it requires.

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

Mr. VANDENBERG. I yield.

Mr. BARKLEY. I wish to state for the benefit of my friend the junior Senator from Montana [Mr. MURRAY] that I was one of those on the Committee on Finance who voted against the freezing of the social-security tax at its present rate. I was in the minority on the committee; and the committee adopted as a part of the tax bill the amendment freezing the tax—that is to say, prohibiting the automatic increase on January 1. That amendment is incorporated in the tax bill as reported from the committee and will be threshed out on the floor of the Senate when the tax bill is taken up. Even though the 60-day pe-

riod of suspension is granted, if the Senate rejects the amendment, then the increase will automatically go into effect; because provision for the freezing is not contained in the House bill, as I recall, and that matter would have to go to conference. Even if the Senate adopted the amendment freezing the tax at its present rate, it would still have to go to conference, to be threshed out there. If in the consideration of the tax bill the Senate rejected the amendment, then the increased tax would automatically go into effect.

The amendment is offered to this bill, because the tax bill cannot be passed before the 1st of January. What the amendment now before the Senate would do would be simply to hold the matter in abeyance until the Senate can thresh out the matter on the floor, in connection with consideration of the tax bill.

In my judgment, no rights will be lost by anyone interested in the matter, because, after all, it must be threshed out and determined by the Senate as a part of the tax bill.

I desired to make that explanation as one of those who in committee voted against the proposed amendment to freeze the tax as it is now, commencing January 1.

Mr. VANDENBERG. Mr. President, I should like to add to what was said by the Senator from Kentucky in his remarks to the Senator from Montana that, while I do not agree with the labor unions on this subject, and while I completely agree with those who would "freeze" the tax as it is for the next calendar year, yet I entirely agree with the wisdom of the 60-day device for preventing total disruption of the pay-roll system during the first 1, 2, or 3 weeks in January, until the Congress has a chance to consider the matter further.

Mr. BARKLEY. Mr. President, if the Senator will permit, I should like to say further that if what is proposed by the amendment is not done, and if on the 1st of January the increased tax automatically goes into effect, then it must be withheld and collected by the employers. If subsequently the Congress should adopt the proposal freezing the tax, then the employers would be required to repay the amounts collected, or make adjustments for them, and would immediately be required to repay the money to those from whom they might have collected it.

Mr. VANDENBERG. From approximately 40,000,000 persons.

Mr. BARKLEY. Yes; from approximately 40,000,000 persons, which undoubtedly would create a very confusing situation.

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

Mr. VANDENBERG. I yield.

Mr. MURRAY. I was merely going to say that I was unfamiliar with the purpose of the Senator from Michigan in proposing the amendment to House Joint Resolution 171, but it occurred to me that, if it would have the effect of "freezing" the rise of the tax, it would be a matter for which full opportunity for discussion on the floor of the Senate should be provided.

Mr. VANDENBERG. I totally agree with the Senator that the issue is of that magnitude, and I can assure him that the proposed device is only one to bridge a gap during the first 1, 2, or 3 weeks in January, pending the time when we shall have a chance to give the subject the precise consideration which the Senator requests in behalf of it.

Mr. MURRAY. I thank the Senator for the explanation. My understanding was that the proposed freezing of the tax at its present rate would be opposed not only by the labor unions but also by many other persons who are interested in the successful administration of the Social Security Act.

Mr. VANDENBERG. That may well be, on the main issue. I am not arguing that with the Senator today.

Mr. MURRAY. I have before me an extract from an editorial, published in the Wall Street Journal, which discusses this matter and points out the objections to the course proposed by the Senator from Michigan.

Mr. VANDENBERG. Now the Senator is discussing the main question; he is not discussing the matter pending here today.

Mr. MURRAY. That is correct.

Mr. VANDENBERG. Yes.

Mr. MURRAY. But I merely desire to call attention to the fact that there is widespread and vigorous opposition to the purpose.

Mr. VANDENBERG. There is no doubt about that.

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

Mr. VANDENBERG. I yield.

Mr. McCARRAN. I have not had occasion to read the amendment upon which the Senator from Michigan has requested action by the Senate; but, as I understand, it proposes that for the first 60 days of 1944 the tax shall be frozen at its present rate. Is that correct?

Mr. VANDENBERG. That is correct. It is simply to prevent the automatic operation of the existing statute during those 60 days, while the Senate and the House will have an opportunity to decide the basic question. No other purpose is involved.

Mr. GEORGE. Mr. President, will the Senator yield, so that I may say a few words?

Mr. VANDENBERG. I yield to the Senator from Georgia.

Mr. GEORGE. I should like to say that it is obvious, I think, that the House will not have a quorum present next week. After consultation with the majority leader, who talked with several members of the Finance Committee, it was deemed proper and advisable to have the committe act on the bill and report it to the Senate, with no expectation that it could be taken up and disposed of at this season of the year, prior to January 1. If the Congress should take a recess until January 3 or 5 or 10, the bill would then be ready to be taken up immediately after the expiration of the recess; and, after the passage of the bill by the Senate, it would immediately go to conference. If in the tax bill there should be no provision for freezing the social security tax at its present rate, the new rates or the stepped-up rates would immediately become operative. I should think the conferees would be through with the tax bill by the 15th or 20th of January, at least.

Mr. GREEN rose.

Mr. VANDENBERG. I yield to the Senator from Rhode Island.

Mr. GREEN. Mr. President, unfortunately I was not in the Chamber when the amendment was being discussed. May I have the clerk read it?

Mr. VANDENBERG. The language is rather technical. I think perhaps I can explain it to the Senator.

Mr. GREEN. I should like to have the amendment stated, as well as to hear the explanation.

The PRESIDING OFFICER (Mr. McCLELLAN in the chair). The amendment will be stated.

The CHIEF CLERK. On page 2, after line 11, it is proposed to insert the following:

SEC. 3. (a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and the first 2 calendar months of the calendar year 1944, the rate shall be 1 percent.

"(2) With respect to wages received during the last 10 calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 percent."

(b) Clauses (1) and (2) of section 1410 of such act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and the first 2 calendar months of the calendar year 1944, the rate shall be 1 percent.

"(2) With respect to wages paid during the last 10 calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 percent."

Mr. VANDENBERG. When all that language is boiled down the net result is simply to move forward from January 1 to February 28, the date when the statutory increase in pay-roll taxes becomes effective. If the Senate and House act on the question prior thereto the effective date will be whatever date the House and Senate decide upon. The sole purpose is to avoid the hiatus in January, when employers would be at a loss to know whether they should take 1 percent or 2 percent from the pay rolls.

Mr. GREEN. What would be the result if the Congress should not act during the 60 days?

Mr. VANDENBERG. If the Congress should not act during the 60-day period, the automatic increase would go into effect on March 1.

Mr. GREEN. The 2 percent?

Mr. VANDENBERG. That is correct. The sole purpose of the amendment, to which the Senate Finance Committee has given its unanimous approval, is to bridge the gap due to the fact that we are unable to report the tax bill before the first of the year.

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

Mr. WHERRY. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. WHERRY. I should like to have an explanation of the joint resolution to which this amendment is being attached, so that I may properly understand what the joint resolution provides. I am not sure that this is the time to ask for an explanation; but as a result of the information we received in the testimony before the subcommittee of the Committee on the Judiciary in the investigation of the liquor business, I am wondering whether we ought to open up this provision of the tariff and permit the importation of grain to be withdrawn from warehouses for consumption during the next 90 days. If we do, according to my information, it will mean a loss to the Government of four or five million dollars.

Mr. VANDENBERG. I suggest to the able Senator that his question does not go to the pending amendment. I suggest that he allow the amendment to be adopted, and then I shall be very glad to answer his question.

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

The amendment was agreed to.

Mr. VANDENBERG. Mr. President, House Joint Resolution 171 is the only House revenue measure pending in the Senate. That is the reason it was chosen as the vehicle for this action.

The joint resolution was passed in the House on a yea-and-nay vote, by about 5 to 1. Its sole purpose is to permit, for 90 days, the importation, free of duty, of certain grains and other products to be used for livestock and poultry feed. Therefore, I am unable to see how it could possibly fall within the scope of the question submitted by the able Senator from Nebraska.

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

Mr. VANDENBERG. I yield.

Mr. WHERRY. I wish to assure the distinguished Senator from Michigan that I am in favor of the amendment just adopted. However, I wish to point out that according to the information which we received, the sole purpose of House Joint Resolution 171 is to permit 9,000,000 bushels of wheat now in storage on boats on some of the Great Lakes to be sold at a price which will increase by 45 cents the price per bushel which the Government pays. Does the Senator know anything about that?

Mr. VANDENBERG. I am unable to answer the Senator's question. All I can do is to call his attention to the yea-and-nay vote in the House on the joint resolution. On the one hand, I find some of the most rabid Republican tariff protectionists in the history of the country supporting the joint resolution providing for the 90-day lapse. I also find some of the ablest farm proponents, such as Representative AUGUST H. ANDRESEN, of Minnesota, equally insistent that the 90-day experiment is worth while from an agricultural point of view. I am sorry that I cannot give the Senator a categorical reply to the question which he submits; but from the debates and from the long consideration of this question, which is apparent from the hearings in the House, I am unable to believe that there is any menace involved. On the contrary, I am forced to believe it is a worth-while adventure.

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

Mr. VANDENBERG. I yield.

Mr. FERGUSON. I think the Senate should know that this morning Mr. Upson, of the Food Administration, stated before the subcommittee of the Committee on the Judiciary that 9,000,000 bushels of wheat have been shipped to this country from Canada. That wheat is now held in storage in American boats, in American waters. The pricing depends upon the outcome of House Joint Resolution 171. If it should pass, that wheat would net Canada 45 cents a bushel more, or in excess of $4,000,000. The price has not been put on it, because of the pendency of this joint resolution, which would permit the increased price. I think the Senate should know that. That is the fact, as given to the Judiciary Committee.

Mr. VANDENBERG. Mr. President, all I know is that on April 29 the President, by proclamation, provided that wheat for feed could be imported duty-free into this country. Therefore, I am unable to understand how this particular measure could have the slightest effect on the situation involved in the discussion.

Mr. LA FOLLETTE. Mr. President, will the Senator yield?

Mr. VANDENBERG. I yield.

Mr. LA FOLLETTE. It was my understanding that the primary purpose of the joint resolution was to increase the supply of feed available to livestock and poultry producers, in the hope that they might to some extent thereby check the flood of animals which are going to the slaughter houses and packing plants in such volume that they can hardly be handled. If there is any private interest concerned in this measure, this is the first time I have heard of it. I know that the Representative from Wisconsin who sponsored the measure, although he is not a member of the party to which I belong, would not under any circumstances be interested in any private effect which the joint resolution might have. He is concerned only with the benefit which might accrue to the producers of livestock and poultry. I believe that the measure is meritorious, and that it ought to pass speedily.

Mr. GEORGE. Mr. President, the joint resolution by its terms restricts the purposes of imports to livestock and poultry feed. It forbids the use of any of the grain for milling, or anything of that kind. It is as restrictive as a measure of this kind could well be made. My understanding is that it has been strongly urged by the agencies which are charged with the responsibility of providing a greater quantity of cattle and poultry feed than is now available in the market. So far as I know that is the sole purpose of the joint resolution, and it is, of course, limited to 90 days.

Mr. VANDENBERG. Mr. President, the Senator's final statement is correct. The War Food Administration has very earnestly requested the passage of the joint resolution.

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

Mr. VANDENBERG. I yield.

Mr. WHERRY. I wish to make the further statement that I am not only in hearty accord with providing sufficient feed for livestock purposes in this country, but will go along with the Senate in any program of that kind. However, the joint resolution does not involve that question alone. I am not saying the object proposed to be accomplished can be accomplished in any other way, and possibly this is the only way to do it, but it developed in the committee this morning that this measure was being urged for the purpose of enabling wheat to be imported duty-free so that the Canadian Government may obtain an increased price for wheat which has been loaded on boats more than 4 weeks ago, and which will be held until March 15 next year, unless the joint resolution is passed.

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

Mr. VANDENBERG. I yield.

Mr. WILEY. My understanding of the situation is that months ago, under the President's order, what we call second- or third-grade wheat was permitted to come into this country free of duty. From what the junior Senator from Michigan has said it seems to me the situation is this: If we pass the joint resolution the first-grade wheat, which is probably in boats and probably in our harbors, and on which duty would have to be paid, would not be subject to the duty.

Mr. FERGUSON. Mr. President, if the Senator will yield, that statement is in accordance with the testimony which was given this morning before the committee.

Mr. WILEY. Yes; of course, then the situation is very plain. We are simply saying that because of our policy in relation to livestock feed, we think it is advisable that for 90 days all wheat, including the wheat which is now in our ports, shall be allowed to come in duty-free.

That is all there is to it.

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

Mr. VANDENBERG. I yield.

Mr. TAFT. Of course, the joint resolution expressly provides that it shall not be construed to authorize the importation of wheat for milling purposes.

Mr. WILEY. Yes; that is correct.

Mr. TAFT. So unless there can be obtained for feed wheat the top price which is paid for milling wheat, the increase in price would not be received, and I do not think the top price can be obtained for feed wheat.

Mr. WILEY. After listening to the colloquy today, it seems to me the rational explanation is that Canada has wheat in our ports on which she would otherwise have to pay duty, and that if the joint resolution is passed, she will not have to pay duty. That is all there is to the question, as I see it.

Mr. VANDENBERG. Question!

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the joint resolution.

Mr. GREEN. Mr. President, if the Senator from Michigan still has the floor, there is another question which I should like to ask him.

Mr. VANDENBERG. I yield.

Mr. GREEN. The question relates to the freezing of the tax, about which the Senator has spoken, for 2 months more.

I did not hear all the discussion on the subject. Perhaps the Senator from Michigan has already discussed the financial consequences of the proposed extension for 2 months. As I understand the Senator's argument—and I am not quite sure that I understand it correctly—the result will be that even if the Congress should decide against changing the existing statutory law, it could not then recover the difference between the 1 percent and 2 percent which the present law exacts. Is that a correct statement?

Mr. VANDENBERG. I think it is correct; but, if I may interrupt the Senator, I have no idea that the period will be 2 months; I have no idea that it will be longer than 3 weeks, because I believe the tax bill will be enacted by the middle of January.

Mr. GREEN. Then, as provided in the amendment, the extended time would be not to exceed 2 months, during which the Government would lose the revenue.

Mr. VANDENBERG. No; the Government would not lose the revenue. It would not be revenue to the Government. It would be revenue which inures to the reserve fund of the old-age and survivors' benefit fund account.

Mr. GREEN. It should be called an insurance premium, perhaps, but it is called a fund. If it is not a tax, then it has no business in the pending joint resolution. We are considering an amendment to continue a tax, are we not?

Mr. VANDENBERG. Yes.

Mr. GREEN. If it is a tax, the Government loses the tax, does it not?

Mr. VANDENBERG. No; because the tax does not inure to the Government. It inures to the reserve fund of the old-age and survivors' benefit account.

Mr. GREEN. Yes; but it amounts to the same thing in the long run.

Mr. VANDENBERG. That is the trouble. That is why I disagree on the merits of it, but I do not see why we should argue the merits today.

Mr. GREEN. In order to avoid question, let us state the situation in this way: If we provide for extension of the present tax for 2 months will not $200,000,000 less come to the Government?

Mr. VANDENBERG. If the period extends for as long as 2 months there will be $200,000,000 less in the reserve fund of the old-age and survivors' benefit account provided employers immediately accept the statutory obligation on January 1. There seems to be a great deal of doubt as to whether many of them will do so because of the very reasonable expectation that the Congress will freeze the tax when it comes to the ultimate decision. That is the source of the doubt. A great many employers wonder whether they should not take a chance on waiting for 3 weeks, because there would be a tremendous obligation upon them in connection with large pay rolls to change over their entire pay-roll withholding system. They would hesitate to do so if it were to apply only to a week or two. I do not know what they would do.

Mr. GREEN. How could they justify refusal to obey the law?

Mr. VANDENBERG. I do not think they could:

Mr. GREEN. Does the Senator think they would not obey the law?

Mr. VANDENBERG. I have given the Senator the best information I can give him.

Mr. GEORGE. Mr. President, may I say to the Senator from Rhode Island that in no event would any of the increased pay-roll tax, assuming it were collected, reach the Treasury until the end of the first quarter; that is, April 1. The proposal temporarily to freeze the tax is solely in the interest of the employer and the employee until we later pass upon the question of whether it should be frozen. No money is due to go into the Treasury until April 1, regardless of when we commence to collect the pay-roll tax.

Mr. GREEN. But even then there will be more than $200,000,000 less in the fund.

Mr. GEORGE. Yes, if it should take 60 days after January 1 definitely to settle the question, but I do not think it will. I think this question will be settled in January.

Mr. GREEN. If the period were only 30 days there would be more than $100,000,000 less in the Treasury, would there not?

Mr. VANDENBERG. The Senator is correct, and I will say that so far as I am concerned—and I am the chief proponent of this so-called freeze—that if Congress decides in January or February that the pay-roll tax should not be frozen, I should be perfectly willing to make the decision retroactive to January 1.

Mr. GREEN. That would satisfy my objection. Will the language of the Senator's amendment be changed to comply with his suggestion?

Mr. VANDENBERG. I cannot do that in the pending amendment. It can be done in an amendment to the tax bill, and I will join the Senator in doing that precise thing when the time comes.

Mr. GREEN. I shall be satisfied with the Senator's assurance to that effect.

The PRESIDING OFFICER. The joint resolution is before the Senate and open to further amendment. If there be no further amendment to be offered, the question is on the engrossment of the amendment and the third reading of the joint resolution.

The amendment was ordered to be engrossed and the joint resolution to be read the third time.

The joint resolution (H. J. Res. 171) was read the third time and passed.

The title was amended so as to read: "Joint resolution to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed, and suspending for 2 months the increase in the tax rates under the Federal Insurance Contributions Act."

Mr. VANDENBERG. I move that the Senate insist on its amendment, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GEORGE, Mr. WALSH of Massachusetts, and Mr. VANDENBERG conferees on the part of the Senate.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a joint resolution of the House of the following title:

H. J. Res. 171. Joint resolution to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed.

The message also announced that the Senate insists upon its amendments to the foregoing joint resolution, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. WALSH of Massachusetts, and Mr. VANDENBERG to be the conferees on the part of the Senate.

IMPORTATION OF GRAIN FROM FOREIGN COUNTRIES

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table House Joint Resolution 171, to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed, with Senate amendments, and concur in the Senate amendments.

The Clerk read the title of the resolution.

The Clerk read the Senate amendments as follows:

On page 2, after line 11, insert:

"SEC. 3. (a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"'(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and the first 2 calendar months of the calendar year 1944, the rate shall be 1 percent.

"'(2) With respect to wages received during the last 10 calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 percent.'

"(b) Clauses (1) and (2) of section 1410 of such act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"'(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and the first 2 calendar months of the calendar year 1944, the rate shall be 1 percent.

"'(2) With respect to wages paid during the last 10 calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 percent.'"

Amend the title so as to read: "Joint resolution to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed, and suspending for 2 months the increase in the tax rates under the Federal Insurance Contributions Act."

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

Mr. MARCANTONIO. Mr. Speaker, reserving the right to object, I voted for the resolution when it was before the House. This resolution simply provided for the importation of feed, notwithstanding the tariff. When this resolution went to the Senate an extraneous amendment was added thereto, an amendment which freezes the payment of social-security tax for a period of 2 months. This amendment has been opposed by all branches of labor. Consequently, Mr. Speaker, I am constrained to object to the adoption of the Senate amendment. Therefore, I object.

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table House Joint Resolution 171 and consider the Senate amendments in the House.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

Mr. CARLSON of Kansas. Mr. Speaker, reserving the right to object, and I do not expect to object, I trust the gentleman will give some of us on this side of the aisle who opposed the House joint resolution a little time in the consideration of it.

Mr. COOPER. Will the gentleman yield?

Mr. CARLSON of Kansas. I yield.

Mr. COOPER. Of course, if this request is granted, it will mean, after the request to consider the Senate amendment in the House, that then the chairman of the committee will move to concur in the Senate amendments. Then he will have 1 hour and can yield as he sees proper to any Members of the House. And any time up to the end of the hour he can move the previous question.

Mr. CARLSON of Kansas. Mr. Speaker, I do not want to object, but I did want to be assured by the gentleman from North Carolina, the chairman of the Committee on Ways and Means, that he would give some time to us on this side of the aisle if this was granted.

Mr. DOUGHTON. The Members will be given time if they desire.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, I move to concur in the Senate amendment to House Joint Resolution 171.

The SPEAKER. The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Mr. Speaker, under the present law social-security taxes increase on January 1, 1944, from 1 percent for employee and employer, to 2 percent for the employer and employee. This amendment to House Joint Resolution 171, adopted by the Senate, postponed the date of increase of the social-security tax from 1 to 2 percent on employer and employee from January 1 to March 1, 1944. In other words, for the first 2 calendar months of 1944, the present tax rate would be frozen. The reason for this is obvious in my opinion owing to the situation with respect to the tax bill that is now being considered by the Senate. We are informed reliably that the Senate Finance Committee has frozen this tax for 1 year, for the calendar year 1944, that is, for the entire year. And if the action of the Senate Finance Committee should be approved by the Congress, then, of course, much confusion would result, because under the present law if this amendment is not adopted, on January 1, 1944, employers would begin to withhold the 1 percent, which is proposed to be postponed. Then if the Congress should approve the action or ratify the action of the Senate Finance Committee—and I understand that was adopted by a large majority—then the collection of this money from the employee by the employer would have to be refunded and there would be untold confusion. Until we can ascertain what the action of Congress is with respect to the amendments for changes made in our tax bill which we sent over to the Senate, until we know what that action will be, I do not see how we can intelligently and safely permit this increase in the social-security tax to become effective, because, if it is, certainly much trouble will result. This only proposes to postpone or advance the effective date for 60 days. Under the present law it is 1 percent for 1939, 1940, 1941, 1942, and 1943, and then it increases beginning with January 1, 1944, to 2 percent. The Senate amendment just proposes to advance that increase in the tax for 60 days, for the 2 calendar months of January and February, in order for us to determine what the action of Congress is. If the action of the Congress should not ratify the action of the Senate Finance Committee, of course, beginning with March 1, 1944, the increase would go on. In other words, I think it would be a great mistake until we see what action Congress takes with respect to this increase, not to adopt this amendment.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. I want to ask the distinguished gentleman from North Carolina, the chairman of our Committee on Ways and Means, if we may have it definitely understood that in the event this Senate amendment is concurred in and freezes this social-security tax for 60 days, as provided in this amendment, if the tax bill when it comes over from the Senate includes a provision freezing this social-security tax, the Ways and Means Committee will hold adequate hearings and go into the matter carefully to determine whether or not, from an actuarial standpoint, the fund accumulated under the tax without the increase going into effect, will be adequate to safeguard and protect this fund.

Mr. DOUGHTON. I will state to the distinguished statesman from Tennessee that, so far as my influence can go, I will not only do that, but I would favor just such a course as he has suggested. I would not want to be in a position myself, and I am sure the other conferees would not want to be in a position, of adopting this without having held hearings on it, until all the facts were brought out and we were satisfied ourselves. At least I would want to satisfy myself and every other member of the conference would have an opportunity to satisfy himself as to the soundness of the proposal made by the Senate amendment.

Mr. JENKINS. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. JENKINS. I think this is a matter of sufficient importance for the chairman, the distinguished Member from North Carolina, to be justified in asking the Ways and Means Committee to hold a hearing, instead of arbitrarily fixing the time. At least 1 day should be set aside to hear both sides of this so we might have the facts ourselves.

Mr. DOUGHTON. The chairman of the Committee on Ways and Means will pursue his usual consistent course. He is the servant of the committee. What the committee desires in that respect is what the chairman of the committee will favor. The chairman favors the action suggested by the gentleman from Tennessee [Mr. COOPER].

Mr. VOORHIS of California. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from California.

Mr. VOORHIS of California. I am frank to tell the gentleman I do not think this tax ought to be frozen. Am I correct that this bill is brought in here because of the fact that we do not know what action is going to be taken on the tax bill, and that you do not want to let the tax automatically increase and then have to cut back again?

Mr. DOUGHTON. That is the sole purpose.

Mr. VOORHIS of California. I can understand that, but I do not want this record to go by without expressing my opposition to freezing that tax.

Mr. DOUGHTON. I welcome any questions and will be glad to express my views about them, and will say that the matter will be thoroughly considered by the committee, and the House will have the benefit of everything we find out on the subject.

Mr. MAGNUSON. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MAGNUSON. There are many of us who would like to be heard on this matter when it comes back, and I am sure the gentleman will accord us an opportunity.

Mr. DOUGHTON. As far as I am concerned, we want to get all the facts and we will certainly give opportunity to Members to be heard. Our committee tries to be fair, and tries to get all the light we can on any subject.

Mr. MAGNUSON. My colleague from Washington [Mr. COFFEE] and myself want to be heard on the freezing of this tax.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COFFEE. The gentleman from Ohio [Mr. JENKINS] raised a question, which if I understand it correctly, confuses me. Did I understand you to say there would be hearings before the committee, before the tax bill comes to the House for consideration of this subject?

Mr. DOUGHTON. Not before we find out what action the Senate takes.

It may not ratify the action of the Senate Finance Committee. After that is done I will call the committee together and we will decide what course we will pursue in order that our committee may get all the facts and have full information with respect to everything pertaining to this amendment.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. The proper procedure to follow, if I understand what the gentleman from Ohio [Mr. JENKINS] intended, certainly what I intended, is that when the tax bill comes back from the Senate, if it includes this provision freezing the social security tax, the Ways and Means Committee will at least take it up

for thorough consideration in the committee, and will hold adequate hearings on that provision to get full information and all the facts we can on that subject.

Mr. CRAWFORD. And before the House is required to act?

Mr. COOPER. That will be before the House conferees meet the Senate conferees in conference.

Mr. DOUGHTON. I am sure that will be the course that our committee will pursue in the event the amendment as adopted by the Senate Finance Committee is ratified by the Senate. Otherwise, it is out, and there will be nothing to go into conference about on this matter.

Mr. Speaker, I yield to the distinguished gentleman from Kansas [Mr. CARLSON] 5 minutes.

Mr. CARLSON of Kansas. Mr. Speaker, I do not rise in opposition to this amendment that has been added to the bill that passed the House last week. I did want a few minutes to discuss that amendment briefly, because I do not think we ought to legislate that way. In view of the statement that the chairman of the committee has made, that we will hold hearings on the amendment, I have nothing further to offer, and nothing to add.

I am somewhat concerned here about freezing this social security tax at the present figure. In view of the statements that have been made from time to time that we are building up an accrued liability that some day must be met by this Congress, that will either require increased pay-roll taxes or a subsidy from the Federal Treasurer, I think the time has arrived when we should give it consideration. That was my only point in asking for time today, and in view of the fact that the chairman has so agreed, I will yield back the balance of my time.

Mr. DOUGHTON. Mr. Speaker, I yield 3 minutes to the gentleman from Kansas [Mr. HOPE].

Mr. HOPE. Mr. Speaker, I have asked for this time, for the purpose of getting into the record, a statement to clarify what was said in the debate on this bill when it was before the House originally. At that time you will recall that I offered an amendment which would have provided that the bill would not go into effect if the country in which the imports originated should put into effect as to any of the commodities in question, an equalization fee or other device to raise the price of the commodity to purchasers in this country. It was stated during the course of that debate that the reciprocal trade agreement with Canada would prevent any action of that kind being taken as far as that country was concerned. I did not know of any such provision then. I have made inquiry of the Department of State since as to whether there was such a provision in any of the reciprocal trade agreements with Canada. I have been informed that there is no such provision.

The gentleman from California [Mr. PHILLIPS] also made inquiry concerning the same matter, and I have here a part of a letter which was written to the gentleman from California [Mr. PHILLIPS], by Mr. Southworth, of the Division of Commercial Policy and Agreement of the Department of State, on this very question. I want to read from that letter at this time:

> Canada has lower prices owing to more effective price control, so equalization fee takes account of that difference and prevents Canadian supply from being raided by the United States.
>
> There is no specific provision in the Canadian agreement which would prevent Canada from establishing equalization fee to offset reductions here.
>
> Under Canadian wartime measures to protect war economy of which this is one, there can be no reduction in price to the American consumer as a result of this bill as far as oats and barley are concerned.
>
> Any action Canada may take is in no way aimed at nullifying our duty removal. It is a part of the Canadian wartime economic measures, and was established before our proposed duty removal was ever thought of.
>
> There exists the wartime escape clause under which Canada in wartime may take action which in peacetime might be contrary to agreements.
>
> But as pointed out above Canada does not need to resort to wartime escape clause in this matter since there is no specific provision in the Canadian agreement forbidding the establishment of equalization fee of its increase to offset the duty reduction by the United States.

I simply bring that matter to your attention to keep the record straight and to point out that there will be no benefits received by citizens of the United States by reason of the passage of this resolution. It will bring no new feed supplies into the country and the only result of its passage will be to divert the tariff duties which formerly went into our Treasury to the pockets of Canadian producers.

The SPEAKER. The time of the gentleman from Kansas has expired.

Mr. DOUGHTON. I yield the gentleman 2 additional minutes.

Mr. REED of New York. Will the gentleman yield?

Mr. HOPE. I yield.

Mr. REED of New York. I am the one who raised the point, and I assumed that provision was in the Canadian Trade Agreement. If I am in error, of course, I wish to make amends for it. I had understood there was such a provision in the Canadian Trade Agreement. I know the gentleman would not make this statement unless he had thoroughly investigated the subject. Did the gentleman ascertain whether there was such a provision in any subsequent agreements?

Mr. HOPE. Yes. I am informed that there is no such provision in any Canadian agreement. There is such a provision in some agreements with other governments, but not with Canada.

Mr. REED of New York. I knew there were these other agreements and I thought I was correct when I stated it was in the Canadian agreement. I am glad the gentleman has pointed out the real situation.

Mr. HOPE. I am sure the gentleman would not have made the statement unless he thoroughly believed that to be the case.

Mr. PACE. Mr. Speaker, will the gentleman yield?

Mr. HOPE. I yield.

Mr. PACE. I understood the gentleman to say that the temporary suspension of these duties will not be of any financial benefit to the American farmer. It will automatically raise their price an equal amount?

Mr. HOPE. Yes. The benefits which accrue will go to the Canadian producers and not to American consumers.

The SPEAKER. The time of the gentleman from Kansas has again expired.

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from Iowa [Mr. GILCHRIST].

Mr. GILCHRIST. Mr. Speaker, everyone knows my belief on this question. It will do the American purchaser of wheat, oats, corn, and grain no particular good.

For 100 years, the farming communities have been voting for tariff schedules. Ever since I can remember, I have heard that it was right, out in Iowa, to protect the manufacturers of the East. We did it every election. Now the time has come when there are some benefits to be derived by the farmers from a tariff. The tariff bill of 1930 helped in many particulars, although the tariff rate on wheat was passed along in the twenties sometime. But the minute that the tariff helps the farmer some, although it does not make the grain cheaper, as pointed out by the gentleman from Kansas, that minute the Republicans, the apostles of protective tariff, desert the farmers. It is not right.

The SPEAKER. The time of the gentleman from Iowa has expired.

Mr. DOUGHTON. I yield 5 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Speaker, it is my opinion that this is a very unsatisfactory way to legislate. The House of Representatives passed a simple resolution providing for feed for livestock and poultry to be brought in for a period of 90 days, without the payment of a tariff duty. When the resolution providing for that one simple thing goes to another body, then an amendment that has no relation to the tariff law, not in any way connected with it, but an amendment to the Social Security Act, is placed on this tariff bill and it comes back here. They are two entirely different subjects.

Now, we meet that situation from time to time, and I think it is a very unsatisfactory way to legislate. I voted for this House Joint Resolution No. 171 to permit this feed for livestock and poultry to be brought in for a period of 90 days to help our people who, we are told, are in great need of this feed. Now, we have another matter, an entirely different subject, added by way of an amendment in the other body.

Now with respect to this amendment freezing the social-security tax, let us bear in mind that the matter was not even considered by the Ways and Means Committee. No hearings were held, and yet it involves one of the most important questions connected with the social-security program. Under title II of the Social Security Act the people of this country who are now in the working period of their lives are building up certain rights to which they are entitled as

matter of law when they reach the age of retirement. Unless you build up a fund sufficient to provide for the payment of those benefits when they reach retirement age, then one of two things will have to happen. They will be disappointed, and, in all practical effect, their own Government will not deal squarely with them, because they have been promised under the law all these years that those benefits would be available for them when they reached retirement age, or, on the other hand, if the retirement fund is not sufficient, the Federal Government will have to appropriate money out of the general fund and pay a subsidy.

These people, now in the working period of their lives, are paying in their taxes. They are paying the 1 percent. They appeared before the Senate Finance Committee, representatives of the workers, and asked that the increase to 2 percent be allowed to take place on the 1st of January, as the law now provides. The opposition to that came from the employers. The employers get a credit on their income tax for the taxes paid for social security. The workers, the people who would be entitled to these benefits, are asking that the increase go into effect, that this fund be made safe and kept safe from an actuarial standpoint. The employers are the ones who are asking that this be frozen.

Mr. COMPTON. Mr. Speaker, will the gentleman yield?

Mr. COOPER. Just let me proceed for one moment, if I may, please.

This is a matter of such great importance that we ought to have sufficient time to go into it carefully and be certain from an actuarial standpoint that the funds are kept sufficient and adequate, that sufficient money will be there so people reaching retirement age may receive the benefits this law has provided for them.

I yield with pleasure to the gentleman from Connecticut.

Mr. COMPTON. Mr. Speaker, I wanted to ask the gentleman from Tennessee if this action be taken affirmatively today if it would irrevocably amend the 2 percent requirement. Could it not be taken up again at some later time?

Mr. COOPER. As the situation stands now this Senate amendment provides that the tax for 1939, 1940, 1941, 1942, 1943, and the first two calendar months of 1944 shall be 1 percent. That is what it is now.

Mr. COMPTON. And no harm is done by passing this resolution today.

Mr. COOPER. We are passing it before we know whether it is right; we are passing it before we know whether it is actuarially sound for our social security program.

Mr. COMPTON. No harm could be done after 2 months; is not that true?

Mr. COOPER. That may be. The gentleman does not know, nor do I know; and I served on every subcommittee that has worked on this thing. I have lived with it for years. It is something we ought to go into carefully and be certain that we are safe.

The SPEAKER. The time of the gentleman from Tennessee has expired.

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, it was not my intention to take the floor, but some things have been said in regard to feed that I should like to discuss.

In the first place, remember that in the Northeast where we have thousands of fine dairy cattle and thousands of poultry farms, the entire strength, the sovereign power, of the State of New York and of the New England States has been exerted in an effort to get feed to keep these dairy herds from starving and to keep the poultry from being diminished so that we can produce food to help win this war. The feed was not available in this country. We tried the West, the Northwest, and everywhere.

It is not a question of whether the Canadians are going to get something more than we planned; that is not the question. The farmers in New York State and in New England, looking to the support of the people in the cities, the milk supply, the butter supply, and our soldiers, and the people abroad we are trying to support under lend-lease, are willing to pay, no matter where they get the feed, in order to save this country from the devastating results of a shortage of feed for poultry and for cows. That is the answer to that.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. No; I have only 5 minutes.

In regard to social security, I do not approve this method of legislation, but the fact remains we face a condition here, not a theory. Something ought to be done because we know that in a tax bill now, as has been pointed out, these taxes have been frozen at 1 percent for a year. That bill is coming back here. In the meantime something ought to be done to avoid the confusion of millions of blanks being prepared and sent out, these payroll taxes being collected that might have to be refunded. So something has to be done in the way of freezing these taxes at this time.

As to the question of protecting the reserve fund, Mr. Speaker, anybody with the mind of a 4-year-old knows that those funds are being spent all the time and the more that are collected the more will be spent. The result will be a paper instead of a reserve fund, a huge reserve fund on paper on which the people will have to pay taxes in order to make that paper good.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. JENKINS. As a matter of fact, these reserves now amount to five times as much as any actuary, auditor, or accountant ever thought would be necessary; and they always figure that five times was the limit. They have reached that limit now.

Mr. REED of New York. Yes; this reserve fund has been collected but, of course, the money has been spent.

Mr. CRAWFORD. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. I yield.

Mr. CRAWFORD. If I understood the gentleman from Ohio correctly, the adoption of the Senate amendment will result in making the rate 1 percent for January and February irrespective of what happens to the tax bill when it comes back to this body.

Mr. REED of New York. That is true. We can modify the tax bill after we have had a hearing, but all of this simply advances the time just 2 months.

Mr. COOPER. Mr. Speaker, if the gentleman will yield, that statement is correct.

Mr. CRAWFORD. Yes; because some people will wonder if they will have to go back to January 1 and pay 1 or 2 percent when the new tax bill is passed.

Mr. COOPER. If the gentleman will yield further, if this provision becomes law it will mean that the present 1 percent from employers and 1 percent from employees will continue for the first 2 calendar months, that is, January and February 1944.

The SPEAKER. The time of the gentleman from New York has expired.

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from Wisconsin [Mr. MURRAY].

Mr. MURRAY of Wisconsin. Mr. Speaker, I wish to read section 4 (a) of the act entitled "An act to extend the life and increase the credit resources of the Commodity Credit Corporation, and for other purposes."

By inserting after the words "so as to support" a comma and the following—

I want every Member of Congress who is interested in having his Government live up to its obligations to the people of this country to note this language:

"during the continuance of the present war and until the expiration of the two-year period beginning with the first day of January immediately following the date upon which the President by proclamation or the Congress by a concurrent resolution declares that hostilities in the present war have terminated."

No. 2: By striking out "85 percent" and inserting in lieu thereof "90 percent."

No. 3: By inserting after the word "tobacco" a comma, and the word "peanuts."

(B) The amendments made by this section shall, irrespective of whether or not there is any further public pronouncement under subsection (4a) be applicable with respect to any commodity to which a public announcement has heretofore been made under this subsection.

Mr. Speaker, I read that in the RECORD for this purpose: Request was made on a nonbasic commodity on which the Secretary of Agriculture had the authority, and on which, in my judgment, he used the right procedure, made definite promises to the people of this country as far as hogs are concerned—and I will stick to that one animal. Mr. Wickard, as you know, went out and put a floor under hogs that was between 110 and 115 percent of parity the day he put the floor there. He did it to increase the pork products in this country.

Whether these farmers should have raised so many hogs is beside the question so far as what I am trying to point

out is concerned. The fact is they did so. I do not like to have to stand here and admit that the hog producer has not had the protection the law provides. It clearly shows that some agency does not take its promises too seriously. These same hogs, however, are selling at 66 percent of parity on the farms of the country right today. That applies to certain classes of the hogs, and I will explain why that is so. The support price set by the Secretary of Agriculture applied to hogs weighing between 240 and 270 pounds and changed to 200 to 270 pounds. At the present time hogs below 200 pounds are selling as low as 8 cents on some of the markets. While the support price applies to the 200-270-pound hogs, the parity price applies to the farm price and is not based on the weight of the animal. The situation gives the packer what is known as a buyer's market. Since 100-pound hogs are selling for only 8 cents in the market, this pork from these lightweight hogs should show an ample margin when the meat is sold on O. P. A. ceiling prices based on $13.75 per hundredweight. This same situation exists for the hogs weighing over 270 pounds as well as it applies to the ones marketed below 200 pounds each. This reflects a price of about two-thirds of parity to the growers of the hogs. Is there any reason in the world why our Government should not live up to the obligations and promises it has made to our own people? Yes; even though it is necessary for us to change our opinions on the tariff or anything else that is necessary to do that is in keeping with fairness and justice to help them do it.

I do not think anyone has a very good case against lifting these duties for 90 days.

As to the advantage to Canada, remember that Canada is only one country from which this feed can be imported.

I noted the import figures as were given over the radio the other night although I did not suppose it was permissible to give figures as to imports and exports at this time; but if you did hear that you know that there is plenty of opportunity to get the needed feed in connection with the poultry industry, and the egg end of the poultry industry, also in connection with feed for the dairy industry from other places than Canada.

I want to make one statement at this time. I want to keep within the rules of the House, Mr. Speaker, and I will not say where I heard it, but there is just one little insinuation I want to answer here as far as I am concerned. No one ever asked me to introduce this resolution, no group or individual. I did it on my own responsibility. Whether it is right or wrong, I am willing to answer for the outcome.

The SPEAKER. The time of the gentleman from Wisconsin has expired.

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 1 additional minute.

Mr. SAUTHOFF. Mr. Speaker, will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield.

Mr. SAUTHOFF. I wanted to raise this point: If this Senate amendment is adopted on this resolution and the 2 percent is remitted to 1 percent, and the tax bill eventually contains the 2 percent, we are bound not to have any retroactive provision in there. That should take care of the months of January and February and that will be lost.

Mr. DOUGHTON. Mr. Speaker, I trust that the Senate amendment will be adopted. Time is a very important element in this matter. Doubtless the Senate had hearings and received information with respect to the merits of this amendment. This is evidenced by the statement made by the distinguished gentleman from Tennessee [Mr. COOPER] that the employers are the ones urging a postponement of the increase to 2 percent; that the employees themselves are against postponement; that they want the 2-percent rate to go into effect. So evidently hearings were held and full information obtained by the Committee on Finance.

I do not believe the Senate can be charged with undue delay in their consideration of the tax bill the House sent to them recently; I do not think they have been unusually long in considering that bill, bearing in mind the controversial nature of its subject matter.

The greatest possible loss cannot be more than 2 months on this 1-percent employer-employee contribution. I am just as anxious as anybody to keep this fund sound and to protect the beneficiaries under the Social Security Act, but the people of the United States are not so anxious to pay these taxes unless they are necessary.

Unless the Senate is convinced that this fund is adequate and interest of the employees will not be jeopardized, of course we will not be bothered with it. But why take the risk when I understand that the vote of the Senate Finance Committee was overwhelming? They are just as anxious to protect the employers and this fund as we are. We are not going to take what they say about it. After it comes over here, we will go into it. We will get full information and if the action of the conferees should not be satisfactory to the House, when the conference report is brought in, the House will have the opportunity to express its opposition.

I think it would be most unfortunate now, inasmuch as we cannot pass on this tax bill for perhaps 30 days, to have the tax go into effect, and then by action of the Congress freeze the tax from January 1, 1944. There would be confusion, and I do not think we can afford to be responsible for that.

Mr. Speaker, I hope this amendment will be agreed to.

Mr. REED of New York. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. REED of New York. There is only one question involved here?

The SPEAKER. That is all, whether or not the House will concur in the Senate amendment.

Mr. DOUGHTON. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the motion offered by the gentleman from North Carolina.

The motion was agreed to.

A motion to reconsider was laid on the table.

The message further announced that the House had agreed to the amendments of the Senate to the joint resolution (H. J. Res. 171) to permit the importation from foreign countries free of duty, during a period of 90 days, of certain grains and other products to be used for livestock and poultry feed.

MESSAGE FROM THE HOUSE

/PUBLIC LAW 211--78TH CONGRESS/

/CHAPTER 375--1ST SESSION/

/H.J.Res. 171/

JOINT RESOLUTION

To permit the importation from foreign countries free of duty, during a period of ninety days, of certain grains and other products to be used for livestock and poultry feed, and suspending for two months the increase in the tax rates under the Federal Insurance Contributions Act.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That notwithstanding the provisions of the Tariff Act of 1930, the following, when imported into the United States from foreign countries, and when entered, or withdrawn from warehouse, for consumption, during the period of ninety days beginning with the day following the date of enactment of this joint resolution, to be used as, or as a constituent part of, feed for livestock and poultry, shall be exempt from duty: Wheat, oats, barley, rye, flax, cottonseed, corn, or hay, or products in chief value of one or more of the foregoing or derivatives thereof: *Provided*, That this Act shall not be construed to authorize the importation of wheat for milling purposes. As used in this joint resolution the term "United States" means the several States, the District of Columbia, the Territories, Puerto Rico, and the Virgin Islands.

SEC. 2. The exemptions from duties provided for by this joint resolution shall be subject to compliance with regulations to be prescribed by the Secretary of the Treasury.

SEC. 3. (a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and the first two calendar months of the calendar year 1944, the rate shall be 1 per centum.

"(2) With respect to wages received during the last ten calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and the first two calendar months of the calendar year 1944, the rate shall be 1 per centum.

"(2) With respect to wages paid during the last ten calendar months of the calendar year 1944 and during the calendar year 1945, the rate shall be 2 per centum."

Approved December 22, 1943.

78TH CONGRESS } SENATE { REPORT
1st Session } { No. 627

THE REVENUE BILL OF 1943

DECEMBER 22, 1943.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 3687]

The Committee on Finance, to whom was referred the bill (H. R. 3687) to provide revenue, and for other purposes, having had the same under consideration, report favorably thereon with certain amendments and, as amended, recommend that the bill do pass.

GENERAL

Your committee concurs in the action of the House as to the general magnitude of the additional revenue which ought to be provided by the Congress at this time. It gave especial attention to the factors tending toward inflation, to the mounting Federal debt, and to the burden of present taxes imposed on the American people. In arriving at its conclusion not to seek more than a fourth of the $10,500,000,000 of additional funds requested by the Treasury your committee was influenced by the fact that, between the time the Treasury representatives testified before the Ways and Means Committee and their appearance before your committee, the Bureau of the Budget lowered by $11,000,000,000 its previous estimate of the current year's deficit.

This reduction is due in a large part to the lowering of estimated Government expenditures in certain lines of war goods. These stoppages of output cannot free resources immediately for other types of production and there are instances of at least small-scale

unemployment of both men and resources. In view of this, it would appear that income payments in 1944 will be lower than the $156,900,000,000, estimated by the Treasury. If any amount of steel and other metals is released for limited civilian production, as now appears inevitable, the total amount of civilian goods may be greater than in 1943. Together these trends would leave the inflationary gap smaller than was anticipated.

Your committee was not convinced that a sum as great as proposed by the Treasury could equitably be raised at this time in the manner suggested by the Treasury, that is, in the main, by higher rates of individual income taxes. In his testimony before your committee, Secretary Morgenthau indicated that the Treasury Department preferred a bill raising only two to three billion dollars to one which would include more by resort to a general retail sales tax. Aside from its merits, about which there was some difference of opinion, the Treasury's position in this matter weighed heavily in the minds of committee members.

In general your committee agrees with the objectives of the House bill. It is believed that the individual income tax burden should not be appreciably increased over that of existing law, since individuals will be paying for the next 2 years, a carry-over of liability for the lesser of the years 1942 and 1943. So far as corporation taxes are concerned, your committee is in agreement with the House bill that any increase in corporate taxes should be by way of excess-profits tax rather than normal and surtax.

Your committee has made a number of administrative or technical amendments, which it is believed will improve the existing tax law and remove certain inequities.

REVENUE ESTIMATES

It is estimated that your committee bill will increase Federal revenues by $2,275,600,000 during a full year of operation at calendar year 1944 levels of income and business activity. This figure compares with an estimated increase of $2,139,300,000 under the bill as passed by the House. Net receipts from income and excess profits taxes will be increased by $1,167,600,000 under the committee bill, of which corporate taxes will account for $502,700,000 and individual $664,900,000. Changes in the rates of tax applied to commodities and services will add $1,011,100,000 to Federal receipts, while net postal revenue will be increased by $96,900,000. Net Federal receipts, including net postal revenue, will be increased from $41,324,000,000 under present law to $43,599,600,000 under the committee bill. As trust-fund items are not involved in the determination of the Budget deficit, these figures do not allow for the effect on Federal cash receipts of freezing, at 1943 levels, the rates of certain social-security taxes, which are, in the main, held in trust by the Government for the purpose of paying social-security benefits.

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FREEZING PAY-ROLL TAX

The committee recommends that pay-roll taxes for old age and survivors' benefits be frozen at existing rates of 1 percent upon employers and 1 percent upon employees for 1 year from January 1, 1944, instead of increasing to 2 percent on employers and 2 percent on employees as would otherwise be required by the existing social-security law. The committee believes that the present and prospective revenues from this tax will amply protect the full and complete solvency of the old-age and survivors' benefits fund. When the social-security law was rewritten in 1939 the reserves for these purposes were changed from the basis of a so-called full reserve to the basis of a contingent reserve. And the statute itself indicates the congressional judgment—based upon the report of an advisory committee of experts—as to what yardstick should be applied to measure the adequacy of these contingent reserves.

Title 2 of the Social Security Act was amended in 1939 to require the board of trustees of the old-age and survivors' trust fund to—

> report immediately to Congress whenever the Board of Trustees is of the opinion that during the ensuing five fiscal years the Trust Fund will exceed three times the highest annual expenditures anticipated during that five-fiscal-year period

In other words, Congress indicated that these contingent reserves are adequate whenever they exceed three times the highest cost of the system in any one of 5 subsequent years. Congress has twice applied this rule and, as a result, has twice postponed the statutory increase in pay-roll taxes.

The committee has again applied this rule to the current situation. It finds that for the fiscal year ending June 30, 1943, $1,130,000,000 was collected in these particular pay-roll taxes; that the cost of benefits for the fiscal year was $149,000,000 plus $27,000,000 in administrative expenses; that the balance of $954,000,000 went into the contingent reserve; that this produced a reserve of $4,300,000,000 last June 30. The heaviest annual cost in benefits and administrative expenses from 1943 to 1948 is estimated by the Social Security Board from a low of $415,000,000 under normal circumstances to a high of $813,000,000 under abnormal circumstances. Thus the present reserve is about 11 (instead of 3) times the low and better than 5 times the highest. Chairman Altmeyer, of the Social Security Board, testifies that if no employer or employee contributions whatever were collected in 1944 the reserve assets on December 31, 1944, will amount to about $4,600,000,000, which is more than 3 times the estimated expenditures 5 years later in 1949. Manifestly, something like another billion dollars will be added to the reserve in 1944 by the maintenance of the existing pay-roll taxes at existing levels. Therefore, it seems apparent that these contingent reserves are far more than meet the statutory test without any increase in pay-roll taxes in 1944. Under such circumstances—and in view of all the other tax drains now confronted by workers and employers—the committee does not believe that these pay-roll taxes should be allowed to increase 100 percent on next January 1, as would be the automatic case in the absence of this legislation.

It should be further noted in this connection that the receipts of these old age and survivors' benefits funds and their balances are far greater than contemplated in the original establishment of the

system. The formal report of the Senate Finance Committee in 1939 estimated the reserve at the end of 1943 at $2,651,000,000. Actually it will be nearer $4,850,000,000. We shall collect more in 1944 pay-roll taxes at the existing 1 percent rates on employers and 1 percent on employees than it was expected and prophesied we would collect at the contemplated rate of 2 percent on each.

It should be clearly understood that this recommendation of the committee has nothing to do with the question of the expansion of social-security benefits or coverage. Congress will meet this issue later. We are concerned at the moment solely with the problem of financing existing benefits and coverage. New rates will have to be arranged to meet new obligations. But it is the committee's judgment that present rates are more than adequate for all present obligations. It is for this reason that the committee recommends the freezing of social-security pay-roll taxes for old-age and survivors' benefits at existing levels for the calendar year 1944.

It should be clearly recognized in this connection that when Congress changed the character of these reserve funds in 1939, putting them on a contingent or a pay-as-we-go basis, it recognized the difference in character between private insurance and public insurance, which is tax supported. For example, the system as originally set up contemplated an ultimate reserve of approximately $50,000,000,000 in another 40 years. The interest on $50,000,000,000 at 3 percent is $1,500,000,000 per annum. It makes no difference to the taxpayer whether this $1,500,000,000 is appropriated to pay the interest on $50,000,000,000 of Government bonds in a reserve fund or whether it is a direct appropriation to the support of the old age and survivors system; but it makes a tremendous difference to the taxpayer whether there has also been the needless accumulation of these enormous Government reserves as the result of taxation. It is obviously true that the change to the basis of contingent reserves, as contemplated by the amended statutes, that Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors benefits funds, because there could be no more solemn public trust. This is inherent in the decision made by Congress in 1939. The statutory rule, requiring contingent reserves which are at least three times as large as the total cost of the system in any one of 5 subsequent years, is a complete measure of contingent protection and always gives Congress at least 5 years' notice of any possibility of delinquency.

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TITLE IX—SOCIAL SECURITY TAXES

SECTION 901. AUTOMATIC INCREASE IN 1944 RATE NOT TO APPLY

This section, which was added by your committee to the House bill, postpones the increase in the rates of the taxes imposed by the Federal Insurance Contributions Act (subchapter A of chapter 9 of the code). Under existing law, the rate of the income tax on employees imposed by section 1400 increases from 1 percent to 2 percent on January 1, 1944; and the rate of the excise tax on employers of one or more employees imposed by section 1410 also increases from 1 percent to 2 percent on such date. In the case of each such tax the amendment provides that the 1 percent rate shall remain in force through the calendar year 1944, and that the 2 percent rate shall be applicable to wages paid and received during the calendar year 1945.

O

Calendar No. 638

78TH CONGRESS
1ST SESSION

H. R. 3687

[Report No. 627]

IN THE SENATE OF THE UNITED STATES

NOVEMBER 26 (legislative day, NOVEMBER 18), 1943
Read twice and referred to the Committee on Finance

DECEMBER 21 (legislative day, DECEMBER 15), 1943
Reported by Mr. GEORGE, with amendments

[Omit the part struck through or enclosed in black brackets and insert the part printed in italic]

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1943":

~~(In the following table, a section number enclosed in parentheses following the description of the subject matter of a section, subsection, or paragraph of this Act indicates each provision of the Internal Revenue Code amended by such section, subsection, or paragraph of this Act.)~~

~~TABLE OF CONTENTS~~

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TITLE IX—SOCIAL SECURITY TAXES

SEC. 901. AUTOMATIC INCREASE IN 1944 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar year 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calen-

dar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 per centum."

Passed the House of Representatives November 24, 1943.

Attest: SOUTH TRIMBLE,

Clerk.

Calendar No. 638

78TH CONGRESS
1ST SESSION

H. R. 3687

[Report No. 627]

AN ACT

To provide revenue, and for other purposes.

NOVEMBER 26 (legislative day, NOVEMBER 18), 1943
Read twice and referred to the Committee on Finance

DECEMBER 21 (legislative day, DECEMBER 15), 1943
Reported with amendments

THE REVENUE ACT

Mr. GEORGE. Mr. President, after the reception of the President's message, I shall ask unanimous consent that the Senate proceed to the consideration of House bill 3687, the Revenue Act of 1943. I desire to give notice to Senators, so that they may be advised and adjust their plans accordingly, that I shall also ask unanimous consent that the last title in the bill be first considered, the title relating to the social-security taxes. The reason for the request is very simple, and I think it proper to state it now.

Certain Members of the House of Representatives, including the chairman of the House Committee on Ways and Means, have indicated that since that committee had not given consideration to that matter it would be necessary that a hearing of 2 or 3 days be held on it, if the amendment reported by the Finance Committee shall be approved by the Senate. Therefore, after the bill is taken up by the Senate, I shall ask for the consideration of the amendment to that title first; and if the Senate shall approve the amendment, then the Ways and Means Committee of the House will have ample opportunity during the week to complete such hearings as the committee may wish to hold on that provision.

There is another matter I should mention at this time; that is, the title of the bill relating to the renegotiation of contracts. The senior Senator from Tennessee [Mr. MCKELLAR], who was the author of the renegotiation-of-contracts law, has not as yet returned from his home in Tennessee. He desired that the consideration of that subject go over until he could be present, and, after conference, I agreed we would not take up the contract-renegotiation title of the bill until Monday next.

Mr. LA FOLLETTE. Mr. President——

The VICE PRESIDENT. Does the Senator from Georgia yield to the Senator from Wisconsin?

Mr. GEORGE. I yield.

Mr. LA FOLLETTE. I assume that would apply to one or two amendments, if my memory serves me correctly as to the number, relating to the subject of renegotiation which do not appear in the title to which the Senator has been referring.

Mr. GEORGE. My request would cover anything related to renegotiation. I thought all the amendments having to do with that subject were included in the last title.

I desired to make this statement because, while, of course, we want the Senator from Tennessee to return as soon as possible, he may not be able to do so for a day or two. At any rate, I have assumed the authority to protect him until Monday next, so far as the renegotiation provisions of the bill are concerned.

Mr. WHITE. I inquire of the Senator from Georgia or the Senator from Kentucky whether we may understand that the bill as reported, or at least in some form, will remain before the Senate until disposed of.

Mr. GEORGE. It will be the unfinished business, but of course it might be laid aside for some pressing matter. In the opening days of a session it would not be my purpose to hold the bill before the Senate to the exclusion of uncontested matters which should have immediate attention.

Mr. WHITE. It will not be laid aside for any matter that is controversial?

Mr. GEORGE. No.

Mr. BARKLEY. No, indeed. I might say, if the Senator from Georgia will permit, that inasmuch as we are to take the bill up tomorrow, and since the renegotiation provision, which is one of the most controversial of the bill, will go over until Monday, it is barely possible we might conclude the consideration of other features of the bill before the end of the week, in which case it might be possible to take up uncontested measures.

Mr. WHITE. I thank the Senator.

THE REVENUE ACT

Mr. GEORGE. Mr. President, I ask unanimous consent that the Senate now proceed to the consideration of House bill 3687, the revenue bill, and I further ask that the formal reading of the bill be dispensed with, and that it be read first for action on committee amendments.

There being no objection, the Senate proceeded to consider the bill (H. R. 3687) to provide revenue, and for other purposes, which had been reported from the Committee on Finance with amendments.

Mr. GEORGE. Mr. President, for the reasons stated by me yesterday, I now ask that the first amendment to be considered be title IX, the title having to do with social security taxes, the last title in the bill.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

Mr. BARKLEY. Mr. President, I think a quorum should be present when this matter is taken up, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

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

Aiken	Green	Reed
Andrews	Guffey	Revercomb
Austin	Gurney	Reynolds
Ball	Hatch	Russell
Barkley	Hawkes	Scrugham
Bone	Hayden	Shipstead
Brewster	Hill	Stewart
Bridges	Holman	Taft
Buck	Johnson, Colo.	Thomas, Idaho
Burton	Kilgore	Thomas, Utah
Bushfield	La Follette	Tobey
Byrd	Langer	Tunnell
Capper	Lodge	Tydings
Caraway	Lucas	Vandenberg
Chavez	McClellan	Van Nuys
Clark, Mo.	Maloney	Walsh, Mass.
Connally	Maybank	Walsh, N. J.
Davis	Millikin	Wheeler
Downey	Murdock	Wherry
Eastland	Murray	White
Ferguson	O'Daniel	Wiley
George	O'Mahoney	Willis
Gerry	Overton	Wilson
Gillette	Pepper	

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

The clerk will state the amendment of the committee on page 189, which is, under the order of the Senate, to be considered first.

The LEGISLATIVE CLERK. On page 189, after line 11, it is proposed to insert a new title, as follows:

TITLE IX—SOCIAL-SECURITY TAXES

SEC. 901. Automatic increase in 1944 rate not to apply.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar year 1945, the rate shall be 2 percent."

(b) Clauses (1) and (2) of section 1410 of such act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 percent."

Mr. GEORGE. Mr. President, I do not intend at this time to make a general statement with respect to the revenue provisions of the bill. Such a statement will be presented tomorrow morning, when I anticipate we will enter upon the consideration of the several features of the bill relating to individual incomes, corporate incomes, and sundry other provisions.

The amendment now under consideration is in technical language, but it merely means that the majority members of the Committee on Finance recommend that for 1 year from January 1, 1944, pay-roll taxes for old-age and survivors' benefits be frozen at existing rates of 1 percent upon employers and 1 percent upon employees, instead of being increased to 2 percent on employers and 2 percent on employees, as would otherwise be required by the existing social-security law. The majority of the committee believe that the present and prospective revenues from this tax will amply protect the complete solvency of the old-age and survivors' benefit fund.

It will be recalled that when the social security law was rewritten in 1939, the reserves for these purposes were changed from the basis of a so-called full reserve to the basis of a contingent reserve. Under the original Social Security Act, the law itself contemplated that the reserve fund would reach a very high level at a given date—several billion dollars, in fact—but in 1939 the whole question was reexamined and reconsidered, and Congress in its wisdom departed from the full reserve fund basis and adopted the contingent reserve fund basis. At that time the advisory committee of experts, in its report to the Senate Committee on Finance, suggested a yardstick, whether absolutely or conditionally I shall not myself discuss, by which to measure the adequacy of the contingent reserves.

Title II of the Social Security Act was amended in 1939; therefore, to require the board of trustes of the old age and survivors' trust fund to "report immediately to Congress whenever the Board of Trustees is of the opinion that during the ensuing 5 fiscal years the Trust Fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period." In other words, Congress indicated that these contingent reserves would be adequate whenever they exceeded three times the highest cost of the system in any one of the subsequent years.

Congress has twice applied that rule, and as a result has twice postponed the statutory increase in pay-roll taxes. In other words, Congress has twice frozen the tax at the existing level of 1 percent on employers and 1 percent on employees.

The Finance Committee by a clear majority vote has again applied this rule to the current situation. It finds as a matter of fact that for the fiscal year ending June 30, 1943, $1,130,000,000 was collected in these particular pay-roll taxes; that the cost of benefits for the fiscal year was $149,000,000, plus $27,000,000 in administrative expenses; that the balance of $954,000,000 went into the contingent reserve, with the result that the contingent reserve as of last June 30 amounted to $4,300,000,000. It is estimated that this contingent reserve will amount to $4,850,000,000 at the end of the current fiscal year.

The committee was therefore of the opinion that under the yardstick indicated or the rule by which to measure the safety and security and integrity of the fund created in the act of 1939, the reserves were more than adequate to take care of any call that could be made upon them during the next ensuing 5-year period.

Mr. President, I have no desire to expand the argument. There are other Senators who are interested in this matter and who will discuss it at some length. I have stated very briefly, and only briefly, the essential facts.

There were some who held to the view that probably it would be wise for the automatic increase to take place as of January 1, 1944, for reasons other than the preservation intact and the protection of the integrity of the trust fund set up under the Social Security Act. I myself have never believed and do not now believe that the social-security fund should be used for general revenue purposes.

The social-security fund is not a part of the revenue. It does not increase the revenue, and it does not decrease the revenue by and large. I have always believed that the social-security fund ought to be devoted entirely to the purposes set forth and provided in the Social Security Act.

In this connection, Mr. President, I should call attention to the fact that the committee amendment further freezing the social-security tax at the existing rates does not change the character of the reserve fund, and that if the benefits of the social-security system are expanded the freezing of this particular tax at this time will have no bearing whatsoever upon that question, certainly not without subsequent legislation by the Congress itself.

Mr. President, that is all I desire to say on this matter.

Mr. GREEN. Mr. President, on December 17 last, when this title was under discussion in the Senate, I indicated my

opposition to the proposed change freezing the social-security taxes for the year 1944, and I now desire to explain my reasons for opposing the committee amendment to freeze the social-security taxes for the year 1944.

In the first place, I should like to say that I think the basic confusion and misunderstanding which has arisen on this matter is due in large part to the decision in 1935 to call the collections for social security by the erroneous name of "taxes." The collections levied on employees and employers are not taxes in the usual sense. They are not levied for paying the general costs of the Government. They are levied to pay the costs of the insurance benefits provided under an insurance law. They are not taxes; they are really premiums for insurance protection, and reference to the colloquies with respect to the law which took place in the Senate on December 17 will disclose the fact that there was a misunderstanding of the difference between taxes and premiums.

I wish to give notice now that at the appropriate time—irrespective of the action which the Senate takes on this amendment—I shall offer an amendment to strike out the word "taxes" in this part of the social-security law and insert in lieu thereof the word "premiums." I might point out also that Senate bill 281, which I introduced early in 1943, broadening and expanding the social-security program, specifically provides that all social-insurance contributions shall be called premiums so there may be no further confusion on this point.

Unless and until we recognize that the old-age and survivors' insurance provisions of the Social Security Act are financed by premiums, we will continue each year to debate this issue on a false basis. I say this deliberately, because it seems to me that under any system of old-age insurance we must take the long-run view, not merely a short-run view. Here for the third time in 5 years we are debating this same matter. I think it is unwise and unsound to tinker so frequently with the financing of so important an insurance system. I think we should put the financing of the insurance system on a long-run basis and then revise the financing only if it seems necessary on the basis of the best actuarial estimates available. No actuarial estimates would support the step we are being asked to take. If we adjust the premium rates every year or so, we shall only confuse the beneficiaries, the contributors, and the public generally about the insurance system. We shall give them the impression that it is only necessary to look at the costs of insurance payments today; that Congress may change the rate, up or down, who knows when. The result can only be to give the people of the country a feeling that the system is not a sound insurance program.

The basic reason why this insurance plan must be looked at on a long-run basis is that the number and proportion of aged persons in our population is steadily growing. Among the main reasons for this are the longer life expectancy, the decreased birth rate, and the decline in immigration. In 1900, there were only 3,000,000 persons 65 years of age and over, representing 4 percent of the population. At the present time there are nearly 10,000,000 persons aged 65 and over, representing over 7 percent of the total population, and within 40 years it is estimated that we may have over 22,000,000 persons aged 65 and over, representing from 14 to 16 percent of the total population. It is clear from these figures that the cost of any old-age insurance program will continue to increase steeply, and that the small cost of the present program during the early years of its operation, and particularly during the war when few people are retiring, is misleading and deceptive as a basis for judging the long-run costs of the program. During the next 40 years the annual benefit payments under our old-age and survivors insurance program are estimated to increase to 15 or 20 times the present levels.

It is clear and unmistakable, therefore, that the costs of the insurance system will steadily increase, year by year, for many years to come. This fact is certified to us by leading statisticians, mathematicians, actuaries, and population experts. Knowing this to be true, the Congress should plan the financing of the insurance program on a sound, long-run basis and not try to make year-to-year adjustments which completely leave out of consideration these long-run costs.

This is not merely my own view. The Advisory Council on Social Security, appointed by the Senate Finance Committee and the Social Security Board, jointly, stated in 1938, as follows—and I quote this because it is applicable today:

> The planning of the old-age insurance program must take full account of the fact, that, while disbursements for benefits are relatively small in the early years of the program, far larger total disbursements are inevitable in the future. * * * The Council wishes to reiterate the necessity of taking full account of the greatly increasing costs of the old-age insurance program in future years.

It is my understanding that the graduated step-up in contribution rates was incorporated in the law to permit the employers and employees to know the long-run implications of the program and to be able to adjust their other contributions for similar purposes accordingly. This, I think, was a sound view, and it is still sound.

Several other reasons seem to me to justify the scheduled increase in the present law. It was brought out in the hearings on this matter before the Senate Finance Committee that on the basis of certain actuarial calculations, according to the concepts of private insurance, the present reserve fund already has a deficit of between five billion and thirteen billion dollars, depending upon the assumptions used in making the calculations. Although social insurance should not be judged solely by private insurance concepts, nevertheless, this comparison indicates that the existing fund is not unduly large in view of its liabilities.

It was also brought out at the hearings before the committee that the protection provided under the Social Security Act is equivalent to a face value of $50,000,000,000. Think of it! The Congress has provided $50,000,000,000 worth of life-insurance protection in this law. From the standpoint of an individual the value of the survivors' insurance benefits at the date of death—which corresponds to the face value of life insurance—is between $3,000 and $10,000 for most families, and as high as $15,000 for some families. Obviously even the increased contributions would be little enough to pay for this protection.

Even with the automatic increase in contributions the benefits paid to workers during these early years of operation of the old-age and survivors' insurance system are much higher in proportion to the contributions made by them than will be true in the case of later beneficiaries. Therefore, from the standpoint of equity, as well as from the standpoint of financial soundness, the automatic increase in contribution rates is essential in order that those who draw benefits in the next few years may not get too large a bonus at the expense of younger workers who in later years will have to pay much higher premiums than now scheduled, if we do not collect more now.

The equity of increasing the contributions is recognized by the contributors themselves. Both the A. F. L. and the C. I. O. have testified that they are willing to have the contribution rates increased according to the existing law.

It should also be noted that the Wall Street Journal, the New York Times, the Chicago Herald-American, the Chicago Sun, and the Washington Post have all editorially endorsed the scheduled step-up. Mr. President, I ask unanimous consent to have the editorials printed in the RECORD as a part of my remarks.

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

[From the Wall Street Journal of December 27, 1943]

THE AGE-PENSION TAX RATE

Now that Congress has postponed for 60 days the rise which would otherwise have taken place in the age-pension tax rate on January 1, we shall all have a little time in which to gain understanding of the Federal age-pension system. This newspaper believes that the increase in this pay-roll tax which the statute had scheduled for the opening of 1944 should have been allowed to go into effect; it believes that Congress should permit that to happen on March 1 by allowing the 60-day postponement to expire.

In another column on this page appears a letter from Mr. Delmer Hubbell, who usually has his feet firmly planted on the ground and his eyes wide open. Much of what he writes is correct as far as it goes. But Mr. Hubbell seems to assume that the amendments of the age-pension section of the Social Security Act adopted in 1939 were both right and final. Those amendments made a departure from the "full reserve" theory of the original act and put in its place the idea of a mere contingency reserve. The change then made means that when the age-pension system has reached maturity—when current

outpayments have reached their maximum excess over current age-pension collections—all but a minor fraction of the excess will have to be taken from the general tax revenues from other sources. Whereas a full reserve system would derive the whole of the excess from the interest earned by the invested reserve; any structure between the contingency reserve and the full reserve systems would depend in part upon accruing interest and in part upon Treasury contribution.

It is true, as Mr. Hubbell says, that Federal taxpayers as a body must provide the means from which age-pensions are paid, whether these are the interest earned by the reserve or Treasury contributions. But it is not true that "current collections store no value whatever out of which future payments are to be made." They do store value for the account of future pensionnaires. Through their investment in obligations of the United States they have the effect of earmarking a portion of the Treasury's general receipts for the benefit and use of the age-pension system.

At the end of his fourth paragraph Mr. Hubbell comes close to stating the argument which may be made for a full reserve system. In the amount that pension payments are less in a given year than the yield of the age-pension taxes collected, the Treasury borrows that much from the reserve and that much less from the public—or perchance from the banks. The full reserve theory, or even a part-way acceptance of it, assumes that the total Federal debt will be what it will be regardless of the measure of the age-pension tax rate and that the greater the proportion of it which rests in the reserve fund, where it channels interest payment into pension recipients' hands instead of those of other bondholders, the safer and sounder the pension system will be.

Present age-pension tax collections are admittedly much less than the present accrual of future pension liability, which is a liability of the Federal Government outside of and beyond its publicly held funded debt. In view of this fact it must be said that the Treasury never officially states the total amount of the public debt of both varieties, that evidenced by papers in the hands of cash lenders and that represented by accumulating pension rights under a section of the Social Security Act. This state of affairs may account for Secretary Morgenthau's opposition to postponing the tax rate increase. There is the further fact that the present tax collection from employees, even as supplemented by the equal collection from their employers, is by no means fairly paying for the pensions pledged by law to the former.

Mr. Hubbell's concluding paragraph, we think, misstates the case. The age-pension pay-roll taxes are not "exactly like all other taxes," for they do not yield true tax revenue. They put the Government in the insurance business, selling annuity insurance at premium rates much less than its ultimate total cost.

[From the Wall Street Journal of November 29, 1943]

THE AGE-PENSION TAX RATE

A manufacturer of the interior writes this newspaper a letter of inquiry respecting the reserve fund of the old-age pension system which indicates a probably widespread state of confusion on the subject. On the one hand there is official authority for the statement that the reserve is some twelve or thirteen billion dollars short of presently accumulated pension liabilities. On the other hand, it is estimated that by the end of this year the reserve will reach or approach $5,000,000,000, a sum several times the present annual outpayments. Both statements are correct approximations, but they seem contradictory.

Unless Congress intervenes, the age-pension tax rate will increase on January 1 next from the 1 percent of covered pay roll each for employer and employee to double that rate. The statutory rise in tax rate has twice been postponed by Congress, an attempt is to be made to postpone it again.

Because the system was established only a few years ago the number of actual pensioners has not nearly reached its maximum, but it is increasing every year and in time current payments to pensioners are bound to exceed current receipts from the age-pension tax plus interest on Government securities in the reserve fund. As originally conceived the reserve fund was to be a "full" reserve, so that the system would support itself (not merely now but throughout the long future) without contributions from the Treasury's general tax receipts, that is, without support from the general body of Federal taxpayers. But the social-security law amendments of 1939 departed from the full reserve principle in the direction of a merely contingent reserve and dependence on supporting Treasury contributions.

What it means, to say that the reserve fund is billions short of equaling already accrued liabilities, is that the fund is that much short of a sum which would yield an interest return covering what has already accrued to the credit of covered employees, a credit not payable to them now but when and as they individually reach pensioning age. Insurance actuaries seem to agree that what they call the level premium rate (the cost of the pension insurance) over the average contributing life of the beneficiaries is about 7 percent of covered pay roll. If they are right, the present combined tax of 2 percent is far short of constituting a sound actuarial basis for the age pensions as fixed by existing law. It will still be short of such a basis if the statutory rate increase is allowed to become effective in January, but it will move considerably nearer self-support.

In passing the present law Congress expressed its judgment that a higher tax rate on beneficiaries and their employers was required for the long-term protection of both the Treasury and the age-pension recipients. That judgment was not reversed by the two postponements of the rate increase. So far as this newspaper is aware, no good reason bearing upon the merits of the pension system has been advanced for again postponing the increase at a time when both employers and employees are well able to bear it. For the former, the added cost will be largely offset by resulting reduction in income-tax liability. The latter, as a group, are in receipt of greater income than for a dozen years past.

[From the Chicago Herald-American of December 20, 1943]

WHEN SHOULD WE PAY FOR SOCIAL SECURITY?

(By Robert P. Vanderpoel)

Once more the original social-security legislation has been emasculated through again postponing, at least temporarily, the automatic increases in social-security deductions that were to begin January 1.

This is a grievous mistake, for two reasons.

First of all, it means more than a billion dollars less revenue for the Government this year and a billion dollars more spending power (inflationary money) for the public and for corporations.

With the Federal Treasury badly in need of revenue and with the people and the corporations literally drunk with excess cash, it just doesn't make sense again to postpone the social-security assessment rates.

It was argued, of course, by Senator VANDENBERG, who led the opposition against the increase, that payments into the social-security fund continue to exceed outlays and that we can afford to wait and see how the matter works out in the future.

CAN AFFORD IT NOW

Actually, this is the very reason we shouldn't do it that way. We can afford to make the payments now. This is true in general of both employers and employees. We will not be in such fortunate position when the tables turn and the outlays begin to exceed the intake.

A squirrel stores nuts in the fall, when the nuts are plentiful, so that he will not starve during the winter, when there are no nuts available. The United States should be storing dollars now when dollars are more abundant than ever before in our history and each one that is taken out of circulation actually serves to strengthen our economy so that it will not have to collect as many dollars when they become scarce and when each dollar withdrawn will tend to destroy jobs and feed the fires of a deflationary spiral.

[From the New York Times of September 26, 1943]

SOCIAL-SECURITY TAXES

In the search for greater tax yields it is again being suggested that social-security taxes be raised to siphon off part of the excess purchasing power held by wage earners. Two aspects of this proposal may be considered: The rise to 2 percent already scheduled for next January, and proposed increases which might raise the rate to 6 percent.

The tax levied on workers and employers had been scheduled to increase from 1 percent to 2 percent in January of this year, but this was postponed until 1944 by congressional action. One argument advanced against allowing the increase to become effective was the size of the reserve fund, which aggregated more than $3,000,000,000 as of June 1942, and is now about $4,000,000,000. However, in planning the system provision was made, through gradually higher taxes, for the accumulation of a large fund during the early years to meet the anticipated liabilities when the benefits become fully effective. Because of the high level of incomes, the present time is very favorable for the accumulation of such reserves. The scheduled increase in the tax, therefore, should now be permitted. The annual yield would be approximately $1,000,000,000.

An increase beyond this amount would fall into a different category unless it were accompanied by a corresponding liberalization of benefit payments. If the levy were increased prior to the determination of the benefits, it is less likely that Congress would give an extension of the system the careful consideration it requires. In the absence of a simultaneous determination of benefits, an increase in social-security taxes might lead prematurely to the adoption of plans which we could not normally afford.

Moreover, if there were an increase in the employer's contribution as well as that of the employee, costs would rise, thus adversely affecting earnings and creating pressure for higher prices. The reduction in earnings, in turn, would mean a lower yield from corporation taxes, which would offset to a large extent the higher yield from social security taxes. In this connection it should be noted there is a fundamental difference between social security taxes and other taxes. In many respects social security taxes are similar to compulsory savings or bond purchases out of current incomes, since they represent liabilities which must subsequently be met—although the maturity date is longer than that for bonds. To the extent that higher social-security taxes would mean a lower yield from corporation taxes or appear to obviate the necessity to impose other taxes, therefore, the proportion of the war financed out of current incomes will be smaller than it should be.

Finally, using the social-security mechanism for this purpose carries an additional

danger. If the rate were now increased primarily as a fiscal measure, there would be agitation to lower it in periods of depression. This would fit in well with the pump-priming theory which has wide acceptance in Washington. But if the tax were lowered in bad times, it would be politically difficult to restore it to the required level when conditions improved. This has been illustrated by the past reluctance of Congress to permit even scheduled increases. The soundness of the whole social security program may be endangered if it is converted into a mechanism to implement a fiscal policy designed to stabilize the economy.

[From the Chicago Sun of November 24, 1943]

NO TIME FOR A TAX FREEZE

Once again Senator VANDENBERG has come forward with his proposal to freeze social-security pay-roll taxes at their present level. The law calls for an automatic rise in these contributions on January 1, just as it did a year ago. Senator VANDENBERG succeeded in forestalling the rise then on the argument that obligations of the social-security fund in the immediate future could be met at the lower rate of taxation. He offers the same argument for a tax freeze this year.

If the Senator has his way, individuals and corporations will be relieved of $1,200,000,000 in scheduled pay-roll taxes, and thus the job of controlling inflation will be rendered that much harder. The Treasury assuming that this $1,200,000,000 would be collected, has told us that $10,500,000,000 additional were needed to provide adequate tax safeguards against inflation. The House reduced this figure to slightly over two billion, and now Senator VANDENBERG proposes to reduce that by another $1,200,000,000. The net effect would be to levy taxes of less than one billion in the face of expert testimony that more than $11,700,000,000 are needed. That comes mighty close to a congressional strike against inflation control.

Apart from the inflationary implications, there is excellent ground for following the original intent of the social-security law. Due to heavy war employment, new obligations are being created every day, and to make sure of meeting them contributions must rise gradually, as previously contemplated. Arthur J. Altmeyer, Chairman of the Social Security Board, has warned Congress that "it would be unwise to defer the increase in contribution rates now scheduled to take effect on January 1." As he points out, deferment of the increase can only mean that contributors will have to pay higher rates later, perhaps under less favorable circumstances.

The social-security fund is like a vast joint savings account. With the national income at record heights, the time to build up that account for future contingencies is now.

[From the Washington Post of December 26, 1943]

SECURITY TAX

A bill deferring for 2 months the automatic increases in old-age security levies effective January 1 has been signed by the President. But Secretary Morgenthau has expressed strong disapproval of the Vandenberg amendment to the Senate tax bill freezing these levies for a full year. If that proposal should be embodied in the completed tax bill, therefore, it would greatly increase the chances of a Presidential veto.

Heretofore the Post has approved the freezing of the pay-roll levies because it believed that raising the rates at this time would strengthen resistance to comprehensive tax increases designed to tap the income of all classes of workers. That argument has now lost its validity owing to the refusal of Congress to vote an adequate tax program. However, we still maintain that the imposition of higher pay-roll levies cannot be justified simply as a means of fighting inflation. For these levies are exacted from insured workers to help defray the costs of the insurance system. They are not taxes imposed for the sake of obtaining revenue to cover the Government's running costs, either in time of war or of peace.

In our opinion pay-roll levies can be justified only if those payments are required to cover the costs of the insurance system. Arthur J. Altmeyer, of the Social Security Board, testifying before the Senate Finance Committee, presented very persuasive arguments of that general tenor. Indeed, after reading Mr. Altmeyer's testimony, we are prepared to retract a recent editorial assertion that the old-age reserve fund is "now far in excess of any sum that could reasonably be required to assure the actuarial soundness of the system."

To be sure, the reserve is far in excess of any sum likely to be needed in the near future, because high wages and record high employment have raised receipts from existing pay-roll levies far above expectations. But Mr. Altmeyer is not thinking of the next few years. He is looking ahead, trying to estimate the long-run costs of the old-age insurance system and the actuarial soundness of the system, judged by the tests applicable to private insurance companies. In his personal opinion the level premium cost of the present insurance system is likely to be in the neighborhood of 5½ to 6 percent of pay roll.

Mr. Altmeyer, however, is not urging that pay-roll levies be raised to the extent necessary to make the insurance system self-sustaining without contributions from the Government. Nevertheless, he believes that the insured should be asked to defray a larger proportion of the long-run costs of the system, thereby reducing the amounts that will eventually have to be contributed out of taxes to cover deficits. Especially startling is his assertion that a steep increase in future benefits costs resulting from the growing proportion of the aged in the population and the increasing amount of benefits payable per person will probably necessitate eventual disbursements 15 to 20 times present annual disbursements from the insurance fund.

To sum up: We conclude that the failure of Congress to impose adequate wartime taxes on workingmen's incomes has removed the principal objection to an immediate scheduled increase in pay-roll levies. We further conclude that such increases are warranted because the current levies fall far short of the amounts required to cover insurance costs and make the insurance system self-sustaining. Finally, we heartily agree with Mr. Altmeyer's suggestion that Congress should make up its mind as to the financial policy that it intends to pursue in respect to the long-run financing of the insurance system. We wish, too, that the public realized more fully the real value and cost of the protection that is being afforded by the small payments currently exacted.

Mr. GREEN. These statements all prove, I think, that the members of the general public are for social security, and are willing to pay for it when they know they are getting their money's worth.

I should like also to call attention to a statement in the committee report which appears to rest upon a misconception of the issues involved. The statement in the committee report, which I think has been quoted by another Member of the Senate in the course of remarks made earlier in the day, is as follows:

For example, the system, as originally set up, contemplated an ultimate reserve of approximately $50,000,000,000 in another 40 years. The interest on $50,000,000,000, at 3 percent, is $1,500,000,000 per annum. It makes no difference to the taxpayer whether this $1,500,000,000 is appropriated to pay the interest on $50,000,000,000 of Government bonds in a reserve fund or whether it is a direct appropriation to the support of the old-age and survivors system, but it makes a tremendous difference to the taxpayer whether there has also been the needless accumulation of these enormous Government reserves.

The fact is that it does make a big difference—although the committee said it makes no difference—to the general taxpayer how such a program is financed—in this case a difference of $1,500,000,000 a year. If the reserves have been built up by contributions, then the trust fund can buy $50,000,000,000 worth of bonds which the Treasury must otherwise sell elsewhere. Later the trust fund will receive $1,500,000,000 a year, which it needs to balance its current account, in the form of interest on these bonds, and the taxpayer will pay this amount only once. The interest is at the same time the Government's contribution to the social-insurance system. If these contributions are not collected and reserves acquired, then the Treasury must borrow the additional $50,000,000,000 elsewhere. Later, when the trust fund needs $1,500,000,000 to balance its account, this must be supplied from general revenues, and at the same time another $1,500,000,000 must be provided to pay interest on the bonds, which then will be held by the banks and other institutions. The notion that it makes no difference to the taxpayer how the social-security program is financed has been widely publicized, and I regret that the committee report appears to give support to such an erroneous view.

The committee also states that in the amendments of 1939—

Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors benefits funds, because there could be no more solemn public trust. This is inherent in the decision made by Congress in 1939.

It may be that the program, as amended in 1939, would ultimately involve some contributions from general revenue, but I doubt that Members of Congress, generally, are conscious of having made such a decision. I am inclined to question whether Congress would now, consciously, still further increase the future burden by again postponing the contributions provided for in the law as it stands. I am not opposed to a Government contribution to the social insurance system, if coverage is sufficiently broad; but it seems to me that the issue is of sufficient importance to be openly debated on the floor of the Senate. I suggest, therefore, that if such a step is contemplated, the provision be submitted as a separate and specific piece of legislation so that the whole question may be discussed on its merits. If after such discussion the Congress wishes to continue to freeze the tax, it is only reasonable and proper, in order that workers and employers be protected against unrea-

sonably high rates in the future, that Congress also specify, in the law, that the Government will provide a subsidy to the insurance system whenever the contribution rates, shared equally between employer and employee, would otherwise rise above a specified level.

Social insurance in the United States is a relatively new institution. It is essential, therefore, that all changes in our social insurance laws be considered not only in terms of their short-run effects but also in terms of their long-run implications. I have long been and still am an ardent advocate of sound social-security measures. But I recognize that if social security is to continue it must be financed on a sound, permanent, and long-run basis. I urge the Senate, therefore, to reconsider this entire question in this light.

In conclusion, I wish to say that in my opinion, after having studied this matter as a member of the Special Committee to Investigate the Old-Age Pension System, appointed by the Senate in 1941, this entire matter should be considered in relation to a broadening and expansion of the social-security program. If the coverage of the insurance system is extended to cover the millions of persons now outside the system, as I recommended in my report—Senate Report No. 666, Seventy-seventh Congress, first session, August 28, 1941—there would be a sound basis for revising the financial structure of the insurance system and providing a substantial contribution by the Federal Government out of general revenues. The broader the coverage of the insurance system the greater the justification for a governmental contribution in recognition of the fact that relief costs will be reduced thereby and that all members of the community will share in a basic minimum of protection.

I hope, therefore, that the distinguished Senator from Georgia, the chairman of the Senate Finance Committee, will, as soon as the pending bill is out of the way, begin a comprehensive review and hold public hearings on necessary changes in our social-security system. This, it seems to me, is a more logical way to handle the matter than in the tax bill.

Mr. VANDENBERG. Mr. President, this subject is technically dull, yet its importance is measured by probably $1,500,000,000 of taxation on the workers and employers of the country in 1944.

Mr. WHITE. Mr. President, will the Senator yield to me for the purpose of suggesting the absence of a quorum?

Mr. VANDENBERG. I thank the Senator for suggesting that a quorum be summoned, but I know that practically all Senators are familiar with the facts, and have made up their minds as to the stand they should take. My purpose in speaking as the author of the pending amendment is to make a record for the benefit of the House of Representatives, which has not this year passed upon the issue. Therefore I am content to proceed. I wish to make the record because the recent address by the able Senator from Rhode Island [Mr. GREEN], for example, indicates to me that there is a total misconception of the basis upon which our social-security system is now proceeding.

Mr. WHITE. Mr. President, I can understand the feeling of the Senator and his desire to make a record, but I cannot help feeling also that many Senators now absent would like to hear the Senator's address.

Mr. VANDENBERG. I thank the Senator very much. At the conclusion of the argument, when we are approaching a yea-and-nay vote, I may again summarize the issue. For the time being, I am making the record.

The problem involved in this amendment is comparatively simple when shorn of complexities which are unavoidably present in the social-security laws themselves, but which have no pertinent or necessary place in this present discussion. Therefore, the first thing I wish to do is to strip the pending issue to its plainest, simplest terms.

The existing social-security statute requires that old-age and survivor benefits shall be financed by pay-roll taxes equally levied against employers and employees. The tax on each was 1 percent until January 1, 1944—a date, however, which was temporarily extended for 60 days by recent congressional resolution in order to permit conclusive congressional action on this pending amendment to the tax bill.

The existing statute, as thus temporarily amended, would double this tax—increase it 100 percent on both employers and employees to 2 percent pay-roll taxes on each—for 1944. I may add parenthetically that the existing statute automatically increases this tax to 2½ percent in 1947 and to 3 percent in 1949.

The Senate Finance Committee, by a vote of 4 to 1, recommends that these pay-roll taxes be frozen for 1944 at the existing 1-percent level; that this rate of tax will produce ample revenues to pay all old-age and survivor benefits, and all administration expense for 1944, and wholly sustain fully adequate reserves; that, therefore, the 100-percent increase in pay-roll taxes should be postponed until 1945 at the earliest. This purpose is accomplished by the final title in the pending tax bill.

Thus the pending question comes down to this, shall the Senate vote, pursuant to the heavily preponderant majority of its Finance Committee, to freeze these pay-roll taxes at 1 percent for another year as Congress has done upon two previous annual occasions? Shall it keep a needless burden of $1,500,000,000 in unjustified taxation during 1944 from the backs of our workers and our employers?

Obviously the right answer depends upon whether the existing 1-percent tax is sufficient to pay old-age and survivor benefits in 1944, and also to sustain a completely adequate reserve which shall protect the unassailable integrity of the social-security system. Upon the importance of this latter objective there is absolutely no difference of opinion. It is a supremely sacred trust. Indeed, those of us who advocate the pending pay-roll tax freeze are so unequivocally committed to this trust that we decline to have it used for any ulterior purpose, no matter how worthy within itself, as is the clear intent of the Secretary of the Treasury in opposing the Senate Finance Committee's recommendation. I shall come to that later.

Whether the existing 1-percent tax is sufficient for all legitimate purposes becomes in turn almost exclusively a question of reserves, because, at current levels and existing rates, about 90 percent of these pay-roll tax proceeds go into reserves.

To understand the status of the reserve problem requires a very brief résumé of the history of the Social Security Act. It was originally set up, about a decade ago, on the basis of a so-called full reserve—that is to say, upon substantially the same actuarial basis as a private insurance company would require, despite the clear fact that a public tax-supported insurance system can invincibly rely upon a far different type of resources and financing. This original set-up on a full reserve basis contemplated by 1980 a gargantuan reserve of $47,000,000,000.

I have always been advised that the President's Committee on Economic Security, which did yeoman service in laying the groundwork for the Social Security Act, was opposed to the full reserve idea for a public tax-supported system, and that the Committee's actuarial advisers were a unit against it. I believe that most of these expert advisers favored an even smaller contingent reserve than we now maintain. But the President insisted upon the full reserve; and it went into the original Social Security Act largely as a result of the appearance of Secretary of the Treasury Morgenthau before the House Ways and Means Committee on February 5, 1935. His testimony, which is available, speaks for itself. He candidly stressed the interest which the Treasury had—not in social security but in retiring a large part of the public debt from the proceeds of the pay-roll tax. He built up his case in favor of clearing away the general public debt before the country should confront the major burdens of the Social Security Act. In other words, his position was primarily related to the general national debt and not to social-security necessities.

Mr. President, I assert that this is the Secretary's position today. He is not contesting the pending recommendation of the Senate Finance Committee—he is not asking that these current pay-roll taxes on our workers and on our employers be doubled—because he questions the adequacy of social-security reserves. He could not because he is on record otherwise, as I shall presently explain. No; he is interested in 1944 as he was in 1935, in what? In retiring a large part of the public debt from these special taxes, levied for a trust purpose, and assessed against only a portion of our people. With the greatest sympathy, Mr. President, for Secretary Morgenthau's tough responsibility in financing our war bills, and without intending the slightest reflection upon his collateral

motives in this respect, I simply cannot agree with him that social-security pay-roll taxes should be levied for anything except direct and essential social-security obligations as written into our social-security contracts with some 40,000,000 workers. Such also is the position twice taken by Congress in recent years, and as once more taken by the Senate Finance Committee.

Lest there be any unfortunate misunderstanding about this business, let me clearly say that the use of social-security pay-roll revenues to retire the national debt does not even remotely suggest maladministration of the funds. This use is inherent in the system itself since all its reserves must be invested in Government bonds. The Treasury gets the money and spends it on general obligations. It puts equivalent bonds—its I O U, as it were—in the social-security reserve. It pays interest on the bonds. But if Social Security ever wants to use the bonds themselves, they must be sold all over again. The more bonds the Treasury puts into social security the less it has to sell to the public. Hence doubling social-security revenues this year is equivalent to a War-bond windfall for the Treasury. That has appealing aspects in these hard-pressing, red-ink days at the Treasury. But the point is that it has nothing to do with social security; and it is our incorrigible contention—speaking for a majority of the Senate Finance Committee upon this issue—that social-security taxes should never be levied for anything but direct and indispensable social-security purposes. That is our idea of a public trust.

But let me get back to my "reserve" narrative. The vice to which I have just referred is inherent in the "full reserve" formula upon which the Social Security Act was originally launched. Because a public, tax-supported insurance system does not require a "full reserve" for its own integrity it is inevitable that a "full reserve" collects more pay-roll taxes than social security itself requires. This began to become apparent shortly after the old-age and survivor program was launched. Back in 1935, I quizzed 70 top executives of old-line life-insurance companies—I am sorry that the able Senator from Rhode Island [Mr. GLEEN] is not present to confront this testimony—I quizzed 70 top executives, experts whose judgment on such a subject should be the best available. Sixty-nine out of the seventy replied flatly that the existing "full reserve" in the Social Security Act was wrong and that the alternative of a much smaller "contingent reserve" was right. Two ex-presidents of the Actuarial Society of America were among these sustaining witnesses. By joint action of the Senate Finance Committee and the Social Security Board, a special, external advisory committee of experts was then set up to canvass this and other related social-security matters. The result is well summarized in a recent speech by Mr. M. Albert Linton, president of the Provident Mutual Life Insurance Co. of Philadelphia, who was a member of this advisory council. I quote:

Following a 4-year discussion of the financing of social security, Congress adopted in 1939 for the old-age and survivors insurance system a pay-as-you-go plan—

And this is precisely what we did, and we did it conscientiously and we knew exactly what we were doing. I continue with the quotation—

supplemented by a contingency reserve to offset, during times of poor business, possible decreasing tax receipts and increasing benefit payments. It was felt that the presence of a large excess of income over outgo year after year, accumulating in a reserve fund that might reach a total of $40,000,000,000 or $50,000,000,000, would make it difficult to protect the system against political pressure groups seeking to enlarge benefits dangerously or to spend the extra money in unsound ways. Successful efforts by such groups could easily undermine the foundations of the whole system.

Thus it came to pass in 1939 that Congress consciously abandoned the "full reserve" basis and went over to a "contingent reserve."

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

The PRESIDING OFFICER (Mr. WILLIS in the chair). Does the Senator from Michigan yield to the Senator from Montana?

Mr. VANDENBERG. I yield.

Mr. MURRAY. I should like to have the Senator from Michigan point out the statutory language by which Congress accomplished that result.

Mr. VANDENBERG. If the Senator from Montana will bear with me, I am coming to the point to which he refers in just a moment, and I shall quote the language verbatim.

Let me interrupt the narrative long enough to give one example why a public, tax-supported insurance system does not require a full reserve, because an understanding of this proposition is essential to an understanding of the basic problem which we confront in this regard. Remember that the original social-security prospectus contemplated an ultimate full reserve of $47,000,000,000 at 3 percent in 1980. Call it $50,000,000,000 for easy calculation. In 1980 the Government would have to raise $1,500,000,000 in general taxes to pay the interest on the bonds in this $50,000,000,000 reserve, in addition to having raised the $50,000,000,000 previously by pay-roll taxes. But if instead in 1980 the Government made a direct appropriation of $1,500,000,000 to social security, the net result to social security and to the taxpayer would be precisely the same; and it would not have been necessary to take the $50,000,000,000 out of the hides and purses of the American people at all. The faith of the Government is behind social security precisely as it is behind its bonds. A default in either would be civil treason. In either event, social security has to depend upon Congress for an adequate appropriation. What difference does it make whether the appropriation is for bond interest or for direct contribution in the same amount? What difference does it make to social security? What difference does it make to the taxpayer? None, except that the taxpayer has been saved $50,000,000,000 in the interim. If we keep the full reserve, we pledge the Congress to vote whatever appropriations are required to pay interest on the bonds. If we transfer to a contingent reserve, we pledge the Congress to an equivalent direct appropriation to social security to preserve the integrity of its obligations. But, in the latter event, we have saved our workers and our employers from the hard necessity of heavy taxes to accumulate the full reserve.

Perhaps I have oversimplified the problem in my anxiety to make it plain. But in essence this was the issue in 1939 when Congress, upon expert advice, abandoned the full reserve and went over to a contingent reserve. Congress has twice confirmed this decision in the intervening years. It is precisely the same issue, Mr. President, which once more confronts the Senate today, because, beyond peradventure, the existing 1-percent pay-roll tax is totally sufficient for an old-age and survivors' benefits reserve.

It only remains for me to prove this sufficiency. I do it out of the mouth of Secretary Morgenthau himself, and out of the text of the statute.

This is the question: How large a "contingent reserve" should we provide in order absolutely to maintain the complete integrity of the old-age and survivor benefit reserve under social security? How large should the reserve be? That is the only question.

I am now coming to a direct answer to the question submitted to me by the able Senator from Montana.

Testifying before the House Ways and Means Committee on March 24, 1939, Secretary Morgenthau really addressed himself for once to social-security considerations and temporarily abandoned his previous and his present "public debt" theme. He laid down a specific yardstick to measure an adequate reserve. This was it—Mr. Morgenthau speaking:

We should not accumulate a reserve fund any larger than is necessary to protect the system against unforeseen declines in revenues or increases in the volume of benefit payments. Specifically—

Mr. Morgenthau still speaking—

Specifically, I would suggest to Congress that it plan the financing of the old-age-insurance system with a view to maintaining for use in emergencies an eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years.

There is only one weasel word in that otherwise admirable definition—"eventual." I do not know when "eventual" is. But I submit that "eventual" certainly is now, when we have had practically 10 years of experience with the social-security law, and when the reserves far exceed even what Secretary Morgenthau "eventually" approved.

In any event, Congress gave the Secretary's advice immediate and current application. It amended, in 1939, title II of the Social Security Act to read as follows:

The Board of Trustees of the Old-Age and Survivors' Trust Fund is required * * * to report immediately to Congress whenever the Board of Trustees is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period—

There is Morgenthau's rule embedded in the law.

and whenever the Board of Trustees is of the opinion that the amount of the trust fund is unduly small.

In other words, the law, insofar as it could, adopted the Morgenthau rule in respect to the essential size of the reserve; and while it could not specifically dictate the application of such a rule, it clearly expressed its own congressional approval of the Secretary's recommendation; and when this rule is observed, we have sustained wholly the integrity of the social-security reserves.

Mr. MURRAY. Mr. President——

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

Mr. MURRAY. I do not consider the language the Senator has just read as accomplishing what he states it accomplishes. It merely provides that whenever the board of trustees is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during the fiscal-year-period, a report will be required from them; but there is nothing in that language to indicate that the Congress adopted any plan in connection with the matter at all. It merely calls for a report and states the time when the report will be required. That is all I can read from that language so far as its actual wording is concerned.

Mr. VANDENBERG. I do not think the Senator and I have any disagreement with regard to the statutory effect of the language and I tried to say so myself, but otherwise I disagree with him totally, for when the Congress consciously changed in 1939 in respect to its attitude toward these reserves and when by direct and specific recommendation of the Secretary of the Treasury it imbedded the Secretary's rule in instructions to the trustees of the social-security fund, I submit that it created a yardstick by which it intended the preliminary decisions at least to be made in respect to the solvency of the social-security reserves.

Mr. MURRAY. It seems to me that if they had any such purpose in mind they would have used appropriate language to express it so that there would not be any doubt about it. All this language does is merely to provide for report.

Mr. VANDENBERG. I think they did use the appropriate language. There was no way by which they could dictate specifically to the trustees of this fund precisely what their course should be, but no one can ignore the fact that this action of the Congress was preceded by a direct, specific, and unequivocal statement officially made by the Secretary of the Treasury to the House Ways and Means Committee in respect to this particular problem that a reserve three times as large as the anticipated expenditure in any one of 5 ensuing years was a reserve wholly adequate for the purpose indicated. If the Secretary was within a mile of being right, then we certainly need no action today looking toward an increase in the rate, because I shall now indicate how much safer we are than even the Secretary himself would have required.

Remember the language of the statute. Congress in the statute put upon the board of trustees—and the Senator from Montana cannot misread at least this phase of the statute—the statute put upon the board of trustees of the old-age and survivors' trust fund the obligation of notifying us if, as, and when they thought the reserve was endangered, and particularly if it were endangered through any lapse in this Morgenthau rule.

Has the board of trustees reported to us that the amount of the trust fund is unduly small? It has not. Has the board of trustees reported that "during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period"? It most emphatically has, and I present the indisputable figures. Follow me, Senators. This is the crux of the whole matter. These figures must be the basis of our verdict.

For the fiscal year ending June 30, 1943, we collected $1,130,000,000 in these pay-roll taxes. We paid out $149,000,000 in contractual benefits and $27,000,000 in administrative expenses. The balance of $954,000,000 went into the contingent reserve. This brought the reserve up to $4,300,000,000.

Now, let us get back to Mr. Morgenthau's rule. He volunteered it. He gave it to us as his best judgment. He made it officially. Let us apply his rule.

The heaviest annual cost of benefits and administrative expenses from 1943 to 1948 is estimated by the Social Security Board from a low of $415,000,000 to a remotely possible high of $813,000,000. In other words—and remember the Morgenthau rule—the present contingent reserve is about 11 times instead of 3 times the low estimate of the greatest expenditure in the next 5 years and better than 5 times instead of 3 times the highest.

The low estimate is the one which the Social Security Board has made in respect to normal expectancy under existing circumstances. The normal expectancy under existing abnormal circumstances is that the reserve is 11 times instead of 3 times the highest anticipated expenditure in the next 5 years, and if we conjure every possible hazard possible, and reduce the figure to a mathematical magnitude, which is the utter limit of the imagination of the Social Security Board, if we take its high estimate of the highest expenditure to be contemplated in the next 5 years, still the reserve is about 5 times instead of 3 times the necessary size. And Mr. Morgenthau certainly can sleep nights.

Mr. President, the situation is even more challenging than this set of figures indicates. The very able Dr. Altmeyer, the Chairman of the Social Security Board, although opposing this "freeze" because he still thinks in terms of "full reserves" conceded in his current testimony before the Senate Finance Committee—and listen to me—that if no employer or employee contributions were collected at all in 1944, the reserve assets on December 31, 1944, would amount to about $4,600,000,000, which is more than 3 times the estimated expenditure 5 years later, in 1949. In other words, the most authoritative witness there is, the Chairman of the Social Security Board himself, testified officially to the Senate Finance Committee that if we did not levy a penny of pay-roll taxes in 1944, at the end of the year still the reserve would be within the rule of complete safety and integrity.

Mr. President, in the face of such situations and such unanswerable statistics as those, I do not understand how any responsible Member of Congress can agree that pay-roll taxes should be increased 100 percent in 1944 upon the workers and upon the employers of this land.

I submit that Mr. Morgenthau's rule is completely vindicated, and so is the integrity of the social-security reserve, by maintaining the present pay-roll tax rate of 1 percent, the spirit of the statute is fully observed, the social-security reserves remain wholly adequate. Indeed—and this is official—we shall collect more in 1944 in the way of pay-roll taxes at the existing 1-percent rates on workers and employers, than was contemplated to have been obtained at 2 percent when the 2-percent rate was written into the original statute. Let anyone get away from that who can.

It is said we must live up to the literal intent of this section which was written into the law several years ago. Yet, when this literal statute was enacted, it contemplated a certain given income from pay-roll taxes in 1944, at 2 percent. We shall have more at 1 percent than was contemplated at 2 percent.

Under such circumstances, I repeat, there is not one scintilla of justification for doubling the pay-roll tax next year, as will occur automatically unless the pending amendment shall be approved. I submit that it would be an unconscionable tax gouge, from which our workers and our employers are entitled to be protected when they confront so many perplexing and difficult fiscal burdens.

I wish to add merely one or two desultory observations Mr. President. It has been said that this tax should be permitted to double next year by way of attacking inflation. I totally agree that we must be at all-out war against inflation, but the war against inflation is the problem of our whole people, and I submit that we have no right to reach into a trust fund of the Government of the United States, held there presumably for the trust benefit of the old-age and survivor beneficiaries—in order to deal with inflation, or any other collateral objective. We cannot use a trust fund for collateral purposes without violating the trust, and, so far as I am concerned, the Social Security Act is as solemn a trust as it would be humanly possible for the Government of the United States to enter upon.

It has been said that we should wink at the increase in the rate at this time, and let it go, in spite of the fact that the arithmetic denies any semblance of justification for doubling the tax. It is said we should do it because it is easy now for workers to pay more taxes.

Again, Mr. President, that is a collateral consideration; but I wish to observe this much in connection with it. There are fifteen or twenty million white-collar workers in this country who have had no increased increment because of the war effort. Practically all of them are included under social security, and if there is any group of citizens in this land who need the sympathetic consideration of the Congress, it is the classification of white-collar workers, who are among the prime casualties of the war effort.

The President himself in his message sent today to the Congress, spoke most feelingly about the necessity for remembering the plight of these people. I quote the President—it is nice to agree with him—

> And I hope you will remember that all of us in this Government represent the fixed income group just as much as we represent business owners, workers, and farmers. This group of fixed-income people include: teachers, clergy, policemen, firemen, widows, and minors on fixed incomes, wives and dependents of our soldiers and sailors, and old-age pensioners. They and their families add up to one-quarter of our 130,000,000 people. They have few or no high-pressure representatives at the Capitol. In a period of gross inflation they would be the worst sufferers.

I am speaking for that particular group, Mr. President, at this moment. I am saying that that group has a primary right to expect Congress to save it from a double social-security tax when the doubling of that tax has no relationship whatsoever to the integrity of the social-security system.

Then I hear it said that this is an easy time for employers to confront a little extra levy by the way of taxation. Mr. President, that is true in a great many cases, but here again there are tens of thousands of the small businesses of this country which are just on the border line between life and economic death. No one knows that better than the able Senator from Montana [Mr. MURRAY], who has done such yeoman service in their behalf. Without any exception, I venture to say, these small businessmen up and down the country are begging Congress not to increase needlessly by 100 percent a pay-roll tax which is not necessary to maintain the solvency of the social-security trust funds. They are entitled to be heard.

Mr. President, I wish to add that this question has nothing whatever to do with the expansion of social-security coverage or the increase in social-security benefits. There can be no question in the world that Congress ought to expand social-security coverage in many sensible directions; there can be no question in the world that social-security benefits in many aspects ought to be increased; but when that time comes the pay-roll taxes should be adjusted to the new contracts, and the contracts should never have to pay for anything except the things which are in the contracts. I submit that we have no right to use the existing contractual obligation for the creation of funds that shall be used for some other expanded purpose. That question will be met on its own merits when the time comes.

Mr. President, I could present countless letters from the country sustaining the committee's recommendations. I am content to present only two, but I think they are highly significant. I suggest to the Senate that the National Association of Life Underwriters, which ought to know more about the techniques of insurance responsibilities than any other group of men in this land, stands squarely behind the Senate Finance Committee in recommending the approval of the pending proposal.

I present one other letter. Mr. President, I suppose the greatest pioneer in behalf of social-security legislation in the history of the United States was the late Mr. Abraham Epstein, of New York, who for many years was president of the American Association for Social Security. Since his death his wife has served as vice president of the same organization. Mrs. Epstein speaks today, as her husband spoke before her, against the full reserve system in respect to the social-security financial structure, and speaks specifically and directly and appealingly in favor of a pay-as-you-go basis, a contingent reserve, and the amendment which once more is pending before the Senate.

In conclusion I wish to say, Mr. President, that Congress has acted upon this question twice before under similar circumstances. The last time the Senate voted on the question was on October 9, 1942, when it voted, 50 to 35, in favor of the same kind of a freeze which once more is contemplated by the pending amendment. It is not a partisan question, as indicated by the fact that of the 50 Members of the Senate who upon the last roll call upon this subject voted to freeze the pay-roll tax, 26 were Republicans and 24 were Democrats. It is not a question which divides upon political or partisan grounds. It is a question rooted in economics.

I submit that the amendment of the Senate Finance Committee is sustained by the record, it is sustained by the figures, it is sustained by the recommendations of the Treasury, and is sustained by ordinary common sense.

Mr. MURRAY. Mr. President, I am opposed to the amendment which the Finance Committee has added in title IX of the 1943 tax bill. This amendment would again delay the increase in old-age and survivors' insurance tax rates from 1 to 2 percent, which is scheduled to go into effect on March 1.

We believe that continued delay in increasing these rates is very unwise, not only from the standpoint of present and future social-security contributors and beneficiaries, but also from the standpoint of general taxpayers and the future fiscal position of the Federal Treasury. The reasons advanced by the committee in support of the proposed amendment absolutely fail to justify the proposed action. Finally, I will proceed to show that the committee report on the tax bill contains statements which undertake to modify the whole method of financing social security and without Congress having taken any corresponding action on the law itself. I will discuss the committee report later.

In 1935 Congress provided that pay-roll tax rates for old-age insurance should begin at 1 percent each on employers and employees in 1937, and increase at 3-year intervals by one-half percent until rates reached 3 percent each in and after 1949. The reason for taking 12 years to reach the full 3-percent rates was to impose the ultimate tax burden of the program gradually.

In 1939, after careful deliberation both by an advisory council and by Congress, benefit provisions were changed so as to increase benefits in the early years and the original tax provisions were somewhat modified. The 1939 legislation provided that the rate of 1 percent each on employers and employees would continue through 1942. The rates were then to rise to 2 percent each in the next 3 years—1943, 1944, and 1945, as originally scheduled; and were to be 2½ percent each in 1946, 1947, and 1948, and 3 percent each in and after 1949. The Revenue Act of 1942 again postponed the scheduled increase by amending the 1939 legislation to continue the 1-percent rate of employees and employers throughout 1943. House Joint Resolution 171, after amendment in the Senate, extended the 1-percent rates through February 1944. The committee amendment now before us proposes to freeze the 1-percent rates throughout the whole of 1944.

Mr. President, the basic reason why it is unwise to freeze rates at 1 percent for the eighth successive year is that the social-security program is committed to pay benefits which will lead to steadily increasing disbursements for a long time. Because the program is new, only a small part of the present aged population can qualify for benefits. As time goes on, many more people will hold benefit rights when they reach age 65. The proportion of old people in our total population also is increasing rapidly. In addition, benefit payments increase rapidly in the initial years of any insurance program which pays long-term benefits, because new beneficiaries are added to the rolls more rapidly than names are removed by death or for other cause. Still another special factor has held down current benefit costs. That is the opportunity which older workers have in wartime to continue in jobs or go back to work rather than to retire and claim benefits. There are more than 600,000 aged workers—and in many cases also the aged wives of such workers—who now hold rights to insurance benefits which they can claim whenever they wish to or must retire. We must expect a sharp and sudden rise in benefit disbursements whenever war activity slows down and young men return to industry and the older workers retire. Even more important, we must expect that disbursements will continue to rise for a half century or more. Actuaries estimate that the annual expenditure for benefits will increase to as much as 20 to 25 times the amount spent in 1943.

Unless ample provision is made for meeting high future disbursements, there is grave danger that before long we will find that our system of old-age insurance is not soundly financed. This requires that those receiving benefits in

the early years of the system, together with their employers, should pay proper premiums for their benefits. If unsound financing should become evident later, this situation would demand drastic financial action by Congress or would constitute a serious threat to the future benefit rights of persons who are now contributing regularly to the program and who are looking forward to receiving benefits in their old age. Thus, the policy laid down in the committee report, again freezing the tax rates, jeopardizes the future finances of the program.

Mr. President, no one has challenged the fact that the cost of old-age insurance will be higher in later years. Actuaries both within and outside the Government have estimated at various times that the annual disbursements may become as much as 10 or even 12 percent of pay rolls, though it may turn out to be somewhat less. The highest contribution rates now scheduled in the law—those for 1949 and thereafter—would total only 6 percent. It would be short-sighted and dangerous to shut our eyes to these future costs by failing to lay aside money in the earlier years when disbursements are deceptively low. Such ill-considered action would pass almost the entire financial burden along to future generations. It would mean also that without more than cursory consideration we took it upon ourselves to reverse the judgment of past Congresses which, after long deliberation, established the basic policy of an early and regular increase in contribution rates up to the level of 3 percent each.

The committee report advances as one justification of its proposal that collections at the 1-percent rates are now actually higher than were originally estimated for the same period at the 2-percent rates. This statement is only half the story, and proves nothing by itself, since it takes no account of changes in the obligations of the system.

It is true that high wartime employment and wages have led to an increase in contribution revenues not foreseen when the 1939 legislation was passed. But another equally unforeseen thing has also happened. The war has substantially increased the future obligations of the system as well. The number of contributors to old-age and survivors insurance, which determines the number of future beneficiaries, was less than 32,000,000 in 1938. By 1942 the number had risen to nearly 45,000,000. Workers are earning more than ever before. Therefore, the individual benefits eventually payable to this larger number of workers will also be larger than was estimated. Thus, the committee report gives a wholly inadequate picture of the effect of the war on the finances of old-age and survivors' insurance by stressing only the revenue side of the picture—stressing only current income, and ignoring currently accruing obligations.

The committee report records the belief of the Finance Committee "that the present and prospective revenues from this tax will amply protect the full and complete solvency of the old-age and survivors' benefits fund." I cannot understand how the committee has found it possible to determine the effects of its proposal on the long-run solvency of the fund. This problem requires intensive actuarial analysis for which the committee itself has no facilities. The committee's conclusion as to the desirability of freezing the rates is, it should be noted, in direct conflict with the judgment of the Social Security Board and the Board of Trustees of the system, agencies which have the necessary technical facilities for making a comprehensive actuarial analysis.

Leading newspapers whose editorial views are customarily given much weight differ sharply from the committee on the soundness of its proposed amendment. Among major newspapers which have taken a forthright position against the freezing of the pay-roll tax rates are the Wall Street Journal, the New York Times, the Chicago Sun, the Washington Post, and the Chicago Herald and Examiner. I shall read brief extracts from recent editorials of each of these newspapers, which I understand have been ordered printed in the RECORD at the request of another Member of the Senate, who spoke earlier in the day.

In the Wall Street Journal of December 27, 1943, the editor states:

> This newspaper believes that the increase in this pay-roll tax which the statute had scheduled for the opening of 1944 should have been allowed to go into effect; it believes that Congress should permit that to happen on March 1 by allowing the 60-day postponement to expire.

The editorial goes on at much length in discussing this matter.

The Wall Street Journal, in an editorial published on November 29, 1943, said:

> So far as this newspaper is aware, no good reason bearing upon the merits of the pension system has been advanced for again postponing the increase at a time when both employers and employees are well able to bear it.

That editorial likewise extends its remarks to some considerable length in discussing the matter.

In the New York Times of September 26, 1943, the editor says:

> The scheduled increase in the tax, therefore, should now be permitted. The annual yield would be approximately $1,000,000,000.

The Chicago Sun said on November 24, in discussing the matter:

> The law calls for an automatic rise in these contributions on January 1, just as it did a year ago. Senator VANDENBERG succeeded in forestalling the rise then on the argument that obligations of the social-security fund in the immediate future could be met at the lower rate of taxation. He offers the same argument for a tax freeze this year.
>
> If the Senator has his way, individuals and corporations will be relieved of $1,200,000,000 in scheduled pay-roll taxes, and thus the job of controlling inflation will be rendered that much harder. The Treasury, assuming that this $1,200,000,000 would be collected, has told us that $10,500,000,000 additional were needed to provide adequate tax safeguards against inflation. The House reduced this figure to slightly over $2,000,000,000, and now Senator VANDENBERG proposes to reduce that by another $1,200,000,000. The net effect would be to levy taxes of less than $1,000,000,000 in the face of expert testimony that more than $11,700,000,000 are needed. That comes mighty close to a congressional strike against inflation control.
>
> Apart from the inflationary implications, there is excellent ground for following the original intent of the social-security law. Due to heavy war employment, new obligations are being created every day, and to make sure of meeting them contributions must rise gradually, as previously contemplated. Arthur J. Altmeyer, Chairman of the Social Security Board, has warned Congress that it would be unwise to defer the increase in contribution rates now scheduled to take effect on January 1. As he points out, deferment of the increase can only mean that contributors will have to pay higher rates later, perhaps under less favorable circumstances.

The major labor organizations of the country have taken an unequivocal stand in opposition to the further freezing of pay-roll tax rates. These organizations, it should be noted, represent millions of workers who stand ready to pay an increase in their contributions. Statements from both the Congress of Industrial Organizations and the American Federation of Labor were introduced at the hearings before the Finance Committee in October on the freezing of pay-roll tax rates—pages 53 and 54—in opposition to the course now proposed by the committee. Labor is fully willing to pay the increased tax, because it knows that the program is worth while and wants it maintained on a solid financial basis. Therefore, it hardly behooves persons not representing labor to profess that they are serving the interests of workers when they oppose the increase in contributions. Labor knows clearly that failure to finance the program soundly now may endanger the program itself in the not-too-distant future. It is unwilling to take this risk.

The basic theme running through the remarks on the Finance Committee report—pages 18 and 19—is that freezing of pay-roll tax rates would represent only a continuation of a policy established in 1939. I propose to show that this is not only an incorrect view, but also that the committee report actually undertakes to rewrite the whole basis of financing old-age and survivors insurance. The report, moreover, proposes to do this, not by amending the law but merely through the medium of the committee report itself. I trust that the Senate will agree with me that changes involving billions of dollars in a program of the far-reaching importance of the social-security program should not be made simply through the medium of the text in a committee report. So sweeping a change in policy should be made only through specific statutory provisions on which there have been full hearings and debate in both Houses of Congress.

As I have indicated, in 1939 Congress amended the benefit provisions and delayed an increase in social-security tax rates for 3 years, with the intention of regaining the level of the original schedule in 1943. Congress did not, in any way, however, define the type of reserve it was setting up, nor did it set forth any policy as to what either the maximum or minimum size of the reserve should be.

A provision—section 201 (b) (3)—was inserted in the Social Security Act in 1939 requiring the board of trustees to report immediately to Congress whenever the board was "of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period, and whenever the board of trustees is of the opinion that the amount of the trust fund is unduly small." The committee report now claims that the first part of this provision established a new congressional policy as to what the maximum size of the reserve should be. There is absolutely nothing in the law itself to confirm this claim, nor can anything on this point be found in the reports of the Senate Finance Committee or the House Ways and Means Committee on the 1939 legislation. The so-called three-times rule means just what it says. That is, it is a rule which does no more than specify the circumstances in which the Board of Trustees shall make interim reports to Congress in addition to the regular annual report. It does not in any way represent a binding congressional rule specifying when reserves are adequate or setting the maximum size of the reserve.

If, as the committee report asserts, Congress intended that this provision—which deals solely with reports to be made by the board of trustees—should establish a new congressional policy, such an intent would be similarly inherent in the latter part of the provision which requires a trustee's report when the fund is unduly small. Moreover, there is nothing in the law or in the 1939 committee reports explaining that part of the provision—there is no indication of what standard should be applied to determine when the fund is too small or what action Congress would take to rectify the smallness. The essential point I wish to make is that the provision of the law containing the three-times rule, on which the present committee report primarily rests its argument for freezing the tax rates, does not in actual fact prescribe any specific reserve policy—full reserve or contingent reserve. In fact, these words do not appear in the law, and there is no agreement what those words mean.

Despite this fact the committee report—page 18, second paragraph, second sentence—appears to be promulgating a formal interpretation which would make the three-times rule agree with the views of those who now wish to freeze the tax, although that rule was written into the law only as a rule determining when certain reports shall be made to Congress by the board of trustees. The present committee report reads the following interpretation into the law:

> Congress indicated that these contingent reserves are adequate whenever they exceed three times the highest cost of the system in any 1 of 5 subsequent years.

Through this statement the committee report actually undertakes to rewrite the whole financial basis of old-age and survivors' insurance by setting up what is not now in the Social Security Act, namely, a rule to determine when the reserve is adequate in size. I submit that a change of this magnitude is a matter which should be debated and voted on by the Congress, on its merits, after adequate hearings and full debate. It should not be effectuated merely through a discursive phrase in a committee report on a general tax bill. Whether or not the committee amendment to the tax bill is adopted, it should be made perfectly clear by the Senate at this time that the attempt to rewrite the basic financial provisions of the insurance system by means of the committee report does not represent Senate action upon the matter.

In the last paragraph of the committee's statement on social-security taxes (page 19), the report states that it is obviously true that the new reserve policy which it reads into recent congressional actions on pay-roll taxes means that Congress obligates itself to make whatever subsidies are necessary to maintain the solvency of the trust fund. That this commitment is less obvious than the committee's statement implies is evident from the report by the same committee on the social-security amendments of 1939—report 734 of the Seventy-sixth Congress, first session. In its 1939 report the committee pointed out, on page 18, that if future pay-roll tax collections plus interest should prove insufficient to meet future annual expenditures for benefits, it would be necessary to increase the pay-roll tax or to make up the deficiency out of general taxes, or to do both. In other words, in 1939 the committee declared that there were three alternative ways—not one obvious way—of meeting a deficiency in social security revenues: First, through raising pay-roll taxes; second, through a Government subsidy; or, third, through both. The committee's 1943 report does not mention the possibility of increasing pay-roll taxes above the scheduled 3 percent if the freezing of rates in early years impairs the solvency of the fund: it says only that Congress is obviously obligated to provide a Government subsidy if one is needed. The disagreement between the 1939 and 1943 reports would indicate that an implicit congressional obligation to provide a subsidy was by no means so obviously intended as is now stated in the committee report.

If contribution rates are kept persistently below those originally scheduled, in direct conflict with the advice of agencies administering the program, the least that Congress should do now to protect the financial integrity of the system is to incorporate a provision in the Social Security Act itself, immediately and explicitly authorizing a Government subsidy. This would replace revenues lost to the fund through congressional action in scaling down the scheduled contributions. I assume that the Finance Committee would have no objection to such an amendment, since its report states that Congress has already obligated itself to provide subsidies. Such an amendment would ensure that the finances of the program would not be endangered by past and projected freezings of the tax rate. It would also provide statutory recognition of the process which is actually taking place, namely, the process of shifting to future taxpayers most of the cost of benefits now being earned by present contributors. At the 1 percent rate, present contributors, together with their employers, are paying only a fraction of the full cost of their benefits. Congress should not adopt so imprudent a fiscal policy; but if it does, Congress should make sure that it is not adopted at the expense of future beneficiaries.

Mr. President, I come to another aspect of this subsidy question. I wish to refer to a section of the committee report which makes a serious factual blunder, one which is so large and so serious as to suggest that this entire section of the committee report must have been hastily prepared and inadequately considered. Perhaps this can be explained for us by the distinguished chairman of the committee, or by the Senator from Michigan, who has been the most active Member of the Senate in pressing for the pay-roll-tax freeze.

On page 19, in the last paragraph of the section on pay-roll taxes, the committee report declares that it makes no difference to the taxpayer whether one and one-half billion dollars is appropriated to pay interest on the investments of a reserve fund, or whether one and one-half billion dollars is directly appropriated as a Government subsidy to the old-age and survivors' insurance system. I shall show that it makes a very great difference. In fact, it makes a difference of precisely one and one-half billion dollars. Let me explain this very important point.

The committee report uses two illustrations. It assumes in one case that there is no old-age reserve, and in the other case that there is a reserve of $50,000,000,000 in Government securities. At a 3-percent rate of interest, the interest earnings of $50,000,000,000 are one and one-half billion dollars a year. Therefore, if there were a reserve of $50,000,000,000 invested in Government securities, the taxpayers would provide the Treasury with one and one-half billion dollars a year to pay the interest. And this one and one-half billion would go to the insurance system to help pay the benefit disbursements as they come due each year. If there were no reserve, the insurance system could get a subsidy of the same amount by the taxpayer paying one and one-half billion dollars in taxes to finance a direct subsidy. Up to this point, and only up to this point in the analysis, the committee report is correct. But beyond this, the report commits a serious error. It overlooks an essential point.

The committee report completely forgets or ignores that if there is a reserve of $50,000,000,000 in the trust fund, the Treasury has had the use of that $50,000,000,000 invested in Government securities, and that that is $50,000,000,000 which the Treasury did not need to borrow from other sources. In other words, if there is this reserve fund, the rest of the public debt is just that much less than it would otherwise have been.

The interest obligation on the public debt, other than the trust fund, is therefore one and one-half billion dollars less than it would have been if there were not this reserve in the trust fund.

On the other hand, if there is not this reserve fund, the rest of the public debt would be $50,000,000,000 larger and there would be an additional interest obligation of $1,500,000,000 on that additional public debt in the hands of the public.

We must keep in mind that the size of the total public debt depends on factors additional to the presence or absence of an old-age reserve, and that the total amount of the public debt will be approximately the same whether or not there is an old-age reserve. What is concerned here is how much of that public debt is owned by the old-age trust fund.

Now let me summarize. If there is no such reserve fund of $50,000,000,000, taxpayers will have to pay out each year $3,000,000,000—$1,500,000,000 in interest to private holders of $50,000,000,000 in Government securities, plus $1,500,000,000 as a subsidy to the social-insurance system. If there is such a reserve fund, taxpayers will have to pay only the interest on that $50,000,000,000 to the credit of the insurance trust fund, which is only $1,500,000,000 a year. The difference between $3,000,000,000 a year and $1,500,000,000 a year, or $1,500,000,000 a year, is what the paragraph on page 19 of the committee report dismisses as something which makes no difference. Yet it must be clear on careful inspection that the taxpayers' burden will be double if they pay in the form of a Government subsidy. It will make a great difference—at least to taxpayers—which policy is followed, whether a reserve is or is not built up.

I have taken some time to explain this point in detail, because it shows how serious and how far reaching are the changes proposed in the committee report in its defense of "freezing" the pay-roll tax. The mistakes made in the committee report are so serious that they deserve a full inspection and explanation. I repeat what I said earlier, namely, that I hope the chairman of the committee, or the Senator from Michigan, will address himself to this problem. I can only say that the fallacy to which I have called attention further confirms what I have said, that the pay-roll tax "freeze" has been inadequately considered, its full effects have not been realized, and the Senate should not accept the amendment proposed in title IX of the revenue bill now before us.

Next, I want to take up another point which follows logically. Objection has been raised in the past against a Government subsidy to the old-age and survivors' insurance system because the system covers only a limited fraction of the population. So long as coverage is limited, only part of the population would benefit from a direct Government subsidy, while the whole population would be taxed to finance such a subsidy. The limited coverage still exists, so that a Government subsidy is not wholly equitable. With each freezing of the pay-roll tax rates, however, the likelihood that such a subsidy will be necessary in order to maintain the solvency of the system, becomes increasingly probable and imminent. Thus, freezing the tax rates contributes toward needing a subsidy, but a subsidy should be preceded by broadened coverage.

The obvious solution of this dilemma is to extend the coverage of the system now. Such extension has been widely urged, but no action has yet been taken. The bill (S. 1161) which the Senator from New York [Mr. WAGNER] and I have introduced, providing for a unified social-insurance system, would extend coverage to nearly all groups now excluded. Nearly everyone would be covered. Then there could be no objection to a Government subsidy, because all workers as well as all business and the entire nation would be benefiting from the insurance system. The interrelationship between tax rates, Government subsidy, and coverage is evident. Because of this interrelationship and the importance of the issues involved, I believe that the only proper course for the Senate is to reject the committee amendment to the tax bill and to look forward to prompt consideration by the Finance Committee of the whole field of social-security legislation. This course would permit careful review of the underlying financial principles of the entire program. It would avoid inadequately considered changes in the present basic financial policy of the program through the mere medium of a short committee amendment tacked onto the end of a long tax bill and a few brief statements in a committee report. This committee amendment should be defeated.

I urge that, instead, the committee give full and comprehensive attention to the need for broad social-security legislation at the first proper occasion. The public has shown through many public-opinion polls that it wants such legislation and is prepared to pay for the benefits.

The PRESIDING OFFICER. The question before the Senate is on the adoption of the committee amendment inserting Title IX—Social Security Taxes.

Mr. BARKLEY. Mr. President, I wish very briefly to address myself to this amendment as one of the members of the Finance Committee who voted against its adoption in the committee.

I think that this is the third time the Congress has been asked to freeze the pay-roll tax. It has been done heretofore, at the beginning of 1943 and 1942. On one other occasion when the same proposal was before the Senate I expressed my doubt of its wisdom. I have graver doubt now of its wisdom than I have had heretofore.

I realize how attractive it is to freeze taxes; I realize that when taxes are not for war purposes, freezing them offers an attractive argument against further increases, no matter what the purpose of the taxation may be. But I think we must consider the basis of the social-security law and its purpose as wholly independent from war taxation. It is for that reason that the original act passed in 1935 provided for a pay-roll tax, 1 percent to be paid by employers, 1 percent by employees, which was to be stepped up automatically until it reached the total of 6 percent, divided equally between employers and employees, with a view ultimately of creating a fund of some $50,000,000,000, which, at the 3-percent rate provided for in the law, would yield one and one-half billion dollars a year for the benefit of those who had created the fund.

Of course, in passing that law the Congress of necessity had to take a longer view than any 5-year period which we could then contemplate or can now contemplate. I do not believe any 5-year period since the law was enacted, the present 5-year period or any imaginable 5-year period within the next few years, can be used as a yardstick or fair criterion for determining what this fund will ultimately need when the peak of these obligations has been reached.

Those who were responsible for the original enactment of the legislation held long hearings and made exhaustive investigations not only of the situation in the United States, but of the experiences of other countries in social-security legislation. The provisions of the act were largely based upon the accumulated experience of the world, including our own country, our States, and other nations in determining what sort of social-security legislation would be necessary to cover those who were taken into its folds.

We all realized then and I think we must still realize that as time goes on, notwithstanding any temporary interference or interruptions with the normal flow of manhood and womanhood who will ultimately be entitled to the benefits of this law we must all look forward to a larger number not only of those who will be entitled to the benefits of the fund as it may grow but those who will be covered by additional legislation and those who will be required under it to pay their proportion into the fund from which they will draw security payments in their old age. Therefore, I think that we must not be deluded by the present favorable situation, nor lured from the original purpose by it or by the comparatively small amount of benefits now being paid, into doing something that will jeopardize the stability of the fund and of the system in the years to come. The fact that the total outlay this year may amount to not more than one hundred and forty-nine or one hundred and fifty million dollars offers no reason why I by any thought I may utter should undertake to convince myself that because the outlay now is comparatively small we can overlook the long-term obligations which it seems to me we labor under in dealing with this entire social-security system.

One of the reasons why the outlay is small now is because men and women who would now be entitled to the benefits of it, either because they draw more in wages due to employment which is traceable to the war or because of a patriotic desire notwithstanding their age to do a duty for their country in the midst of war, are not claiming its benefits. Except for that situation, the

amount of money now being paid out annually would largely exceed the figures given by the Senator from Michigan [Mr. VANDENBERG].

There is a debatable question involved as to whether in 1939 by the change in the language of the act we really went from a full reserve system to a contingent reserve system. That has been assumed by interpretation, but there is nothing in the statute that refers to a full or contingent fund.

Specifically it made no difference, but by implication it did, because of the requirement that the Board should report, in addition to making its annual reports, whenever the fund was three times the amount of the outlay in any one year of the 5-year period. It might well be assumed that such a report would be for the information of the Congress. That did not automatically create a different sort of fund, or a new basis upon which the tax should be levied. That is a matter for lawyers to disagree about, however, and I happen to be one of those who do not accept the interpretation that that was intended by Congress automatically, without specifically saying so. It changed it from a full reserve to a contingent reserve system.

I would be the last man in the world to desire to create an enormous fund which was not needed, whether it were created by general taxation, or by the application of the pay-roll tax to employers and employees. Nor am I one of those who desire to create an enormous fund merely in order that the Treasury may use it in lieu of other revenue. We provided in the law that that might be done, but in the midst of a great war, not then anticipated, for which no provision was then made, which was not in contemplation when we provided that these funds might be used by the Treasury at a certain fixed rate of interest, I realize how attractive it is to have a large fund available at a rate fixed by Congress. But I would not, because of that, vote to increase the fund.

I have always believed that taxation should be levied for revenue purposes, and I have not been one of those who have felt very strongly in favor of levying a tax for some purpose other than the raising of money with which to conduct the Government of the United States or any of the political subdivisions in the United States. On the contrary, I would not vote against an increase of the fund merely because the Treasury could use it and wanted to use it instead of going out into the open market and borrowing money from private individuals or private institutions.

I base my position on the pending amendment on my strong feeling, if it is not even a conviction, that in the long run a very large fund will be necessary, when the present favorable circumstances and conditions may have terminated, when older men and women will no longer find it convenient or possible to work at the high rates of pay they receive, which they prefer to the benefits they would receive under the old-age subsistence provisions of the social-security law. I know that it is just as inevitable as that the sun will set tonight and rise tomorrow that that condition will come about. We all know it, and we all know that the longer we go on as a government and as a people the more men and women are going to make use of this fund, and are going to be required to contribute to it. I think we must take a long-range view of conditions, not a short-range view.

In the report of the committee occurs this language, to which I agree:

> The interest on $50,000,000,000 at 3 percent is $1,500,000,000 per annum.

I do not agree to this particular sentence:

> It makes no difference to the taxpayer whether this $1,500,000,000 is appropriated to pay the interest on $50,000,000,000 of Government bonds in a reserve fund or whether it is a direct appropriation to the support of the old-age and survivors' system.

I presume it would make no difference to that portion of the taxpayers who are both paying taxes and making pay-roll contributions, but, as the Senator from Montana [Mr. MURRAY], has pointed out, it would make a considerable difference to those taxpayers who were not in the system, either as employers or employees, if they were required to contribute out of the general fund of taxation to the creation of a fund which should be in existence because of the pay roll tax levied upon those involved on one side or the other, as employees or employers.

The committee proceeds:

> It is obviously true that the change to the basis of contingent reserves, as contemplated by the amended statutes, that Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors benefits funds, because there could be no more solemn public trust.

I agree with the statement of the committee that if we should be short-sighted enough—and I think we would be if we adopted the pending amendment—to jeopardize the fund, so that in the years to come, in the long run, it would not be sufficient, it would be necessary to make up the difference by double taxation, because we cannot fail in our obligation and in our promise to the aged and the infirm, for whose benefit the law was originally enacted.

I certainly should not like to see the time come when we would have to go into the general funds of the Treasury, put there by general taxation, to make up a deficit created by our desire to relieve employers and employees now of an increase in the rate of tax, which automatically steps up 1 percent unless the pending amendment shall be agreed to I do not believe we would render to industry or to the employees of industry any service by making it possible that we would have to make up a deficit in the fund later. We certainly would render no service to industry by relieving them now of this 1 percent of tax, and then later on be required to levy higher taxes upon them in order to make up the deficit we would create by the action proposed here today.

Mr. President, without taking further time of the Senate I may say that for the reasons I have stated I voted against the amendment in the committee, and I feel it my duty to vote against it in the Senate.

The Senator from Rhode Island [Mr. GREEN] and the Senator from Montana [Mr. MURRAY] have referred to editorials contained in certain large newspapers. Certainly those newspapers can fairly be said to represent the interests of business—the Wall Street Journal, of New York, the Washington Post, the Chicago Sun, and other newspapers, to mention only a few. None of them could be said to be unfair in their general policy toward business and industry, or to employees, or to labor. In my opinion they are fair journals. Since the Senate committee adopted the pending amendment, and even since the Senate extended the time by 60 days, under the resolution offered by the Senator from Michigan [Mr. VANDENBERG], these newspapers have expressed themselves editorially as convinced of the unwisdom of the policy. The editorials have already been ordered inserted in the RECORD on the request of the Senator from Rhode Island [Mr. GREEN].

In today's mail I received a letter addressed to me yesterday by Mr. A. J. Altmeyer, chairman of the Social Security Board, in which he goes into some detail in discussing the pending proposal. It is a full-page letter, which I shall not read, because the Senator from Montana covered most of the points outlined in it. I have merely mentioned them in a general way. But I think that for the RECORD, and in order that Congress may know the implications, and the results which are feared by the Social Security Board, which is charged with the responsibility of administering the law, the letter should go into the RECORD at this point, and I ask unanimous consent that it may be printed as a part of my remarks.

The PRESIDING OFFICER (Mr. TUNNELL in the chair). Is there objection?

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

FEDERAL SECURITY AGENCY,
SOCIAL SECURITY BOARD,
Washington, D. C., January 10, 1944.

Hon. ALBEN W. BARKLEY,
United States Senate,
Washington 25, D. C.

DEAR SENATOR BARKLEY: I noticed from the newspapers that Senator GEORGE has announced that the first item of the 1943 revenue bill, which will be considered by the Senate, is the provision dealing with the so-called freezing of the present old-age and survivors insurance tax rate. I thought it might be helpful to you if I marked certain portions of the hearings before the Senate Committee on Finance which cover the essential facts and arguments. Therefore, you will find enclosed a marked copy of this document.

There is very little that I can add to the testimony I have already given before the Senate Finance Committee. However, it may be helpful if I summarize the situation as I see it:

1. Senator VANDENBERG contends that Congress amended the Social Security Act in 1939 to change "from the basis of a so-called full reserve to the basis of a contingent reserve."

However, there is nothing in the law itself relative to the amount or character of the reserve that is contemplated will be built up. The terms "full reserve" and "contingent reserve" are nowhere used or defined. Moreover, actuaries are not in agreement as to just what these terms mean. Therefore, there seems to be no advantage in arguing relative to terms that are undefined, indefinite, and somewhat charged with an emotional content.

2. Senator VANDENBERG further contends that when Congress amended the Social Security Act in 1939 to require the Board of Trustees of the Old-Age and Survivors Insurance Trust Fund to "report immediately to Congress whenever the Board of Trustees is of the opinion that during the ensuing 5 fiscal years the trust fund will exceed three times the highest annual expenditures anticipated during that 5-fiscal-year period," Congress indicated that "these contingent reserves are adequate whenever they exceed three times the highest cost of the system in any one of 5 subsequent years." However, Congress also instructed the Board of Trustees to submit "a statement of the actuarial status of the trust fund." Senator VANDENBERG is under the impression that what he considers to be the congressional judgment is supported by the report of the Advisory Council on Social Security in 1939. However, this Advisory Council did not recommend any specific yardstick. In fact, the Chairman of the Advisory Council on Social Security, in the testimony which he gave in 1939, warned against the danger of applying any yardstick rigidly during the first few years of the operation of the system.

3. The abnormal situation as regards contributions and benefit payments brought about by the advent of the war emphasizes the hazard of basing any conclusion as regards the long-range financing of this system upon such a short-range basis as 5 years. The increased liabilities due to the fact that benefits are geared to past wages, which will include the unusually high level and highly paid wartime employment, will extend for many years beyond the immediate 5-year period. All actuarial calculations indicate a steeply increasing annual cost for many years to come. These eventual annual disbursements will probably be from 15 to 20 times their present annual rate. Expressed as a percentage of pay roll, these annual costs may range from 7½ percent to 12⅔ percent. Under certain assumptions the level annual cost has been estimated to be 7 percent of pay rolls. On this basis there would already exist a deficit of nearly $13,500,000,000.

4. The chief reason why a graduated schedule of contribution rates was incorporated in the 1935 Social Security Act was to permit the ultimate contribution rate to become effective gradually, and thereby give employees, employers, and the economy generally an opportunity to become adjusted to the changes. The automatic step-up has already been postponed twice. These postponements have already had the effect of substituting uncertainty for certainty, which should be an essential characteristic of social insurance. If we once again depart from the original schedule of contributions at a time when ability to make these contributions is at a maximum, we greatly increase that uncertainty. Usually when the time comes to increase taxes, many reasons are advanced as to why the imposition of additional taxes is unwise. But in this case there will never be a better time than the present when the beneficiaries are able to pay and are willing to pay because they realize they are getting their money's worth.

5. It is only equitable that persons retiring during these early years should contribute more than they are now contributing, since the actuarial value of their benefits is very many times the value of their contributions. For example, a single individual who contributes for 10 years to the system and at the maximum salary taxable under the law ($250 per month) might have obtained from a commercial insurance company an annuity of $2 per month with his own contributions, whereas this law entitles him to a benefit of $44 per month—or 22 times the amount purchasable from an insurance company of his own contributions (S. Rept. 734, 76th Cong., p. 16). A married man might be entitled to $66 per month, or 33 times the value of his own contributions.

6. It is most important that contributors who will not receive benefits until after many years have elapsed shall not be treated inequitably because of failure to charge reasonably adequate rates in the early years of the system. It is a mathematical certainty that the longer the present pay-roll tax rate remains in effect the higher the future pay-roll tax rate must be if the old-age and survivors insurance system continues to be financed wholly by pay-roll taxes. Therefore, the indefinite continuation of the present contribution rate (assuming a self-sustaining system, the costs of which are shared equally by the employees and employers) will eventually necessitate raising the employee's contribution rate later to a point where future beneficiaries will be obliged to pay more for their benefits than if they obtained this insurance from a private insurance company. Consequently, from the standpoint of equity, as well as from the standpoint of financial soundness, it is essential that the automatic increase in the contribution rate be permitted to go into effect.

Retaining the present rate creates a moral obligation on the part of Congress to provide a Government subsidy later on to the extent necessary to avoid levying inequitably high pay-roll tax rates in the future. It appears that the Senate Finance Committee undertakes to recognize this responsibility in the following statement appearing in its report (p. 19): "It is obviously true that (sic) the change to the basis of contingent reserves, as contemplated by the amended statutes, that Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors benefits funds, because there could be no more solemn public trust. This is inherent in the decision made by Congress in 1939." However, it is doubtful whether this conclusion is "inherent in the decision made by Congress in 1939," since the report of the Senate Finance Committee in 1939 (p. 18) specifically recognized three possibilities as follows: "If future annual pay-roll tax collections plus available interest are insufficient to meet future annual benefits it will be necessary, in order to pay the promised benefits, to increase the pay-roll tax or provide for the deficiency out of other general taxes, or do both." There is a further possibility which was not mentioned and that is a reduction in the benefits promised. Therefore, it is essential that the law itself specify how the insurance system shall be financed in the event that the pay-roll contribution rates, which reach a maximum of 3 percent each on employers and employees in 1949, are inadequate to finance the benefits promised.

7. The Senate Finance Committee report contains the surprising statement that "It makes no difference to the taxpayer whether this $1,500,000,000 is appropriated to pay the interest on $50,000,000,000 of Government bonds in a reserve fund or whether it is a direct appropriation to the support of the old-age and survivors system." This indicates the basic misunderstanding which I believe exists. With no reserve funds the taxpayers would be required to pay $1,500,000,000 subsidy to the old-age and survivors insurance system and also be required to pay $1,500,000,000 interest to private investors on securities held by them instead of by the Old-Age and Survivors Insurance Trust Fund. With a $50,000,000,000 reserve fund the taxpayers would pay only $1,500,000,000 into the Old-Age and Survivors Insurance Trust Fund in the form of interest on the securities held by it. Therefore, without a reserve fund the taxpayers' burden would be exactly double. I attempted to present this explanation a little more fully in a letter which I wrote Senator VANDENBERG under date of August 27 and which he inserted in the CONGRESSIONAL RECORD of September 14, 1943. A marked copy of this letter is enclosed. But even though this explanation is completely rejected, there can be no escaping the fact that in this present calendar year of 1944 the Federal Government, which must pay these social-insurance benefits, will actually receive $1,400,000,000 less in contributions if the automatic step-up is not permitted to go into effect.

As you may know, both the American Federation of Labor and the Congress of Industrial Organizations have urged that the increase in the contribution rate be permitted to go into effect (pp. 53–54 of the hearings before the Senate Finance Committee). It is also interesting to note that three leading newspapers which previously advocated freezing the rate now advocate that the automatic increase be permitted to take effect. These are the Wall Street Journal, the New York Times, and the Washington Post. Copies of the editorials appearing in these papers are enclosed.

If there is any further information I can furnish you, I shall of course be only too glad to do so.

Sincerely yours,

A. J. ALTMEYER,
Chairman.

Mr. VANDENBERG. Mr. President, I think probably this concludes the debate. I ask for the yeas and nays on the pending amendment, and if they are ordered, I shall suggest the absence of a quorum.

The yeas and nays were ordered.

Mr. VANDENBERG. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

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

Aiken	Green	Revercomb
Andrews	Guffey	Reynolds
Austin	Gurney	Scrugham
Ball	Hatch	Shipstead
Barkley	Hawkes	Stewart
Brewster	Hayden	Taft
Bridges	Hill	Thomas, Idaho
Buck	Holman	Thomas, Utah
Burton	Johnson, Colo.	Tobey
Bushfield	Kilgore	Tunnell
Byrd	La Follette	Tydings
Capper	Langer	Vandenberg
Caraway	Lodge	Van Nuys
Chavez	Lucas	Walsh, Mass.
Clark, Mo.	Maloney	Walsh, N. J.
Connally	Maybank	Wheeler
Davis	Millikin	Wherry
Downey	Murray	White
Eastland	O'Daniel	Wiley
Ferguson	Overton	Willis
George	Pepper	Wilson
Gerry	Reed	

The PRESIDING OFFICER. Sixty-five Senators having answered to their names, a quorum is present.

Mr. GEORGE. Mr. President, I do not wish to take any time at all, but I should make a personal statement regarding the pending matter. In committee I did not favor freezing the social-security pay-roll tax, but nevertheless

I feel bound by the vote of the majority of the committee, because the judgment of the committee was overwhelmingly against that view. I did not oppose the freezing of the tax for any of the reasons or any of the fears advanced. I am satisfied in my own mind that there is no reason for the automatic step-up of this tax for the next 12 months. The period is short. If at the end of this year there is a necessity for stepping up the tax or for increasing it, of course that can be done.

Mr. President, I have only one view about the social-security matter. I am profoundly convinced that social security should stand on its own basis, that funds raised for social-security purposes should be kept intact, and that the integrity of those funds should be absolutely preserved.

This tax is a hard one. It seems easy, but in fact it is a hard tax. It is a capital tax. It is a tax which the employer must pay and which the worker must pay, whether they are making money or whether they are running in the red. It is a difficult tax so far as competitive conditions between all competitors in the same lines are concerned.

It is true that the same tax falls on everyone in proportion to the number of workers and the pay received by workers, but the tax is essentially a capital tax. Perhaps under these conditions we do not worry about it so much, but I have known a great many persons who have paid this tax out of their capital since the system has been inaugurated.

I think there is a strong view for a Federally supported social-security system, in part at least, so that the tax will not become so burdensome upon borderline employers and upon employees whose income represents a bare subsistence level. I thought it perhaps would be wiser not to freeze this tax again this year, on the one, sole ground that to a slight extent the increased tax would reduce purchasing power and, in view of the concern about inflation, that the siphoning-off of the sum represented by the tax would amount to at least the dimunition by a little bit of the water in the pail. It was on that theory that I thought we would be unwise to freeze the tax at the present rate, nevertheless I did not take that position because of any of the reasons stated and presented by other Senators in the debate today. I say this with all due respect to those who have presented them.

Solely because in committee I voted the other way, but feel compelled to vote now with a very clear majority of the committee on this particular issue, I wished to offer this explanatory statement.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment inserting on page 189 new title pertaining to the Social Security Tax. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. DAVIS (when his name was called). I have a general pair with the junior Senator from Kentucky [Mr. CHANDLER]. I do not know how he would vote on this question. I transfer that pair to the junior Senator from Illinois [Mr. BROOKS] who would vote as I intend to vote. I am therefore at liberty to vote, and vote "yea."

Mr. REED (when his name was called). I have a general pair with the Senator from New York [Mr. WAGNER]. I transfer that pair to the Senator from North Dakota [Mr. NYE] and will vote. I vote "yea."

The roll call was concluded.

Mr. BARKLEY. The Senator from Georgia [Mr. RUSSELL] desired to be recorded in the negative. He has been unavoidably called from the Chamber. I make that announcement in his behalf.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Missouri [Mr. TRUMAN] and the Senator from Washington [Mr. WALLGREN] are absent on official business for the Special Committee to Investigate the National Defense Program.

The Senator from New Mexico [Mr. CHAVEZ] and the Senator from Wyoming [Mr. O'MAHONEY] are detained in Government departments on matters pertaining to their respective States.

The Senator from North Carolina [Mr. BAILEY], the Senator from Alabama [Mr. BANKHEAD], the Senator from Mississippi [Mr. BILBO], the Senator from Washington [Mr. BONE], the Senator from Kentucky [Mr. CHANDLER], the Senator from Idaho [Mr. CLARK], the Senator from Louisiana [Mr. ELLENDER], the Senator from Iowa [Mr. GILLETTE], the Senator from Nevada [Mr. MCCARRAN], the Senator from Arizona [Mr. MCFARLAND], the Senator from Tennessee [Mr. MCKELLAR], the Senators from New York [Mr. MEAD and Mr. WAGNER], the Senator from South Carolina [Mr. SMITH], and the Senator from Oklahoma [Mr. THOMAS] are necessarily absent. I am advised that if present and voting, the Senators from New York would vote "nay."

The Senator from Washington [Mr. BONE] is paired with the Senator from Nebraska [Mr. BUTLER]. I am advised that if present and voting, the Senator from Washington would vote "nay," and the Senator from Nebraska would vote "yea."

The Senator from Maryland [Mr. RADCLIFFE], who is detained on public business, is paired with the Senator from Nevada [Mr. MCCARRAN]. I am advised that if present and voting, the Senator from Maryland would vote "yea," and the Senator from Nevada would vote "nay."

The Senator from Utah [Mr. MURDOCK], who is detained in one of the Government departments on matters pertaining to the State of Utah, is paired with the Senator from Wyoming [Mr. ROBERTSON]. I am advised that if present and voting, the Senator from Utah would vote "nay," and the Senator from Wyoming would vote "yea."

Mr. WHITE. The Senator from Oregon [Mr. MCNARY] is absent because of illness.

The Senator from Illinois [Mr. BROOKS], the Senator from North Dakota [Mr. NYE], and the Senator from Wyoming [Mr. ROBERTSON] are necessarily absent. I am advised that if present they would vote "yea."

The Senator from Oklahoma [Mr. MOORE] is absent from the city attending hearings of a subcommittee of the Committee on Indian Affairs.

The Senator from Nebraska [Mr. BUTLER] is necessarily absent. If present he would vote "yea."

The result was announced—yeas 49, nays 16, as follows:

YEAS—49

Aiken	George	Taft
Andrews	Gerry	Thomas, Idaho
Austin	Gurney	Tobey
Ball	Hawkes	Tunnell
Brewster	Holman	Tydings
Bridges	Johnson, Colo.	Vandenberg
Buck	Lodge	Van Nuys
Burton	Lucas	Walsh, Mass.
Bushfield	McClellan	Walsh, N. J.
Byrd	Maybank	Wheeler
Capper	Millikin	Wherry
Caraway	O'Daniel	White
Clark, Mo.	Overton	Wiley
Connally	Reed	Willis
Davis	Revercomb	Wilson
Eastland	Reynolds	
Ferguson	Shipstead	

NAYS—16

Barkley	Hill	Pepper
Downey	Kilgore	Scrugham
Green	La Follette	Stewart
Guffey	Langer	Thomas, Utah
Hatch	Maloney	
Hayden	Murray	

NOT VOTING—31

Bailey	Gillette	O'Mahoney
Bankhead	Glass	Radcliffe
Bilbo	Johnson, Calif.	Robertson
Bone	McCarran	Russell
Brooks	McFarland	Smith
Butler	McKellar	Thomas, Okla.
Chandler	McNary	Truman
Chavez	Mead	Wagner
Clark, Idaho	Moore	Wallgren
Danaher	Murdock	
Ellender	Nye	

So the amendment was agreed to.

Mr. BARKLEY. Mr. President, I understand that the Senator from Georgia [Mr. GEORGE] does not care to continue with the consideration of the tax bill at this time, because of the lateness of the hour.

Mr. GEORGE. Mr. President, I had anticipated that this question would consume most of the afternoon. I stated to several Senators that we would not reach the consideration of other features of the bill until tomorrow.

Mr. BARKLEY. That is satisfactory.

Mr. GEORGE. I should be very glad to suspend at this time.

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Mr. MURRAY. Mr. President, I send to the desk an amendment and ask that it be stated.

The VICE PRESIDENT. The amendment will be stated.

The CHIEF CLERK. On page 190, after line 4, it is proposed to insert the following:

SEC. 902. Sec. 201 (a) of the Social Security Act, as amended, is further amended by adding at the end of the subsection the following:

"There is also authorized to be appropriated to the trust fund such additional sums as may be required to finance the benefits and payments provided under this title."

Mr. MURRAY. Mr. President, in view of the fact that the committee amendment, which has already been agreed to, will freeze the social-security tax, this amendment is being proposed by me to make clear the intent which I understand the Committee on Finance had in mind in connection with this matter. In the report of the Finance Committee the following statement is made:

It is obviously true that the change to the basis of contingent reserves, as contemplated by the amended statutes, that Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors' benefits funds, because there could be no more solemn public trust. This is inherent in the decision made by Congress in 1939.

That statement is to be found on page 19 of the committee report.

Mr. President, in view of that statement in the report, and in view of the fact that the able Senator from Michigan [Mr. VANDENBERG] has stated—and I quote his exact language:

We pledge the Congress to an equivalent direct appropriation to social security to preserve the integrity of its obligations.

I believe that the amendment which I am proposing will be considered as noncontroversial, and will be accepted as merely stating in the law what the Senate has implied by its previous actions and by the statement contained in the committee report.

Of course, I wish to make it clear that I was opposed to the freezing of the social-security tax. However, in view of the fact that the Senate has voted to freeze this tax, I think that the Senate should in good faith enact this necessary legislation to clarify the provision in the law, and to make the long-run financing of the insurance program completely clear.

I think it was made very clear in the debate that that was the intent, and therefore, as I say, the intent should be stated in the bill so there can be no doubt about it.

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

Mr. MURRAY. I yield.

Mr. VANDENBERG. So far as the principle contained in this amendment is concerned I completely agree with the Senator from Montana. I know of no particular reason why it should not be stated as indicated in the Senator's amendment. I wart to make it perfectly clear, however, that this carries with it, so far as I am concerned, and so far as the record is concerned, no implication that any additional sums are necessary now or in the foreseeable future. So far as the immediate situation is concerned, it is perfectly obvious that the current pay-roll-tax collections will be probably four times the sums required to finance the "benefits and payments provided under this title" for the coming year. And when the existing reserves, without any additional collections whatever, are added, it is the testimony of the Social Security Board itself that the funds available are 11 times the "benefits and payments provided under this title" at the highest peak in the next 5 years. I insist that the amendment has no immediate application, it has no immediate menace, it contemplates and anticipates no immediate appropriation; but as the statement of a principle, I agree with the amendment completely, and so far as I am concerned, I have no objection to its inclusion in the bill.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Montana [Mr. MURRAY].

The amendment was agreed to.

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The PRESIDING OFFICER. The bill having been read the third time, the question now is, Shall the bill pass?

The bill H. R. 3687 was passed.

Mr. GEORGE. Mr. President, I move that the Senate insist on its amendments, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. GEORGE, Mr. WALSH of Massachusetts, Mr. BARKLEY, Mr. CONNALLY, Mr. LA FOLLETTE, Mr. VANDENBERG, and Mr. DAVIS, conferees on the part of the Senate.

78TH CONGRESS
2D SESSION

H. R. 3687

IN THE SENATE OF THE UNITED STATES

JANUARY 21 (legislative day, JANUARY 11), 1944
Ordered to be printed with the amendments of the Senate numbered

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1943":

~~(1) (In the following table, a section number enclosed in parentheses following the description of the subject matter of a section, subsection, or paragraph of this Act indicates each provision of the Internal Revenue Code amended by such section, subsection, or paragraph of this Act.)~~

~~TABLE OF CONTENTS~~

(311) *TITLE IX—SOCIAL SECURITY TAXES*

SEC. 901. AUTOMATIC INCREASE IN 1944 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar year 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 per centum."

SEC. 902. Section 201 (a) of the Social Security Act, as amended, is further amended by adding at the end of the subsection the following:

"There is also authorized to be appropriated to the trust

fund such additional sums as may be required to finance the benefits and payments provided under this title."

Passed the House of Representatives November 24, 1943.

Attest: SOUTH TRIMBLE,
Clerk.

Passed the Senate with amendments January 21 (legislative day, January 11), 1944.

Attest: EDWIN A. HALSEY,
Secretary.

78TH CONGRESS
2D SESSION

H. R. 3687

AN ACT

To provide revenue, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JANUARY 21 (legislative day, JANUARY 11), 1944

Ordered to be printed with the amendments of the Senate numbered

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed, with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H. R. 3687. An act to provide revenue, and for other purposes.

The message also announced that the Senate insists upon its amendments to the foregoing bill, requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. GEORGE, Mr. WALSH of Massachusetts, Mr. BARKLEY, Mr. CONNALLY, Mr. LA FOLLETTE, Mr. VANDENBERG, and Mr. DAVIS to be the conferees on the part of the Senate.

REVENUE BILL

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H. R. 3687) to provide revenue, and for other purposes, with Senate amendments thereto, disagree to the Senate amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The SPEAKER appointed the following conferees: Messrs. DOUGHTON, CULLEN, COOPER, DISNEY, KNUTSON, REED of New York, and WOODRUFF of Michigan.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its reading clerks, announced that the House had disagreed to the amendments of the Senate to the bill (H. R. 3687) to provide revenue, and for other purposes; agreed to the conference asked by the Senate on the disagreeing votes of the two Houses thereon, and that Mr. DOUGHTON, Mr. CULLEN, Mr. COOPER, Mr. DISNEY, Mr. KNUTSON, Mr. REED of New York, and Mr. WOODRUFF of Michigan, were appointed managers on the part of the House at the conference.

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1079

REVENUE ACT OF 1943

FEBRUARY 4, 1944.—Ordered to be printed

Mr. DOUGHTON, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 3687]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3687) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2, 33, 52, 54, 56, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 140, 165, 185, 187, 200, 211, 214, 215, 222, 223, 224, 226, 227, 228, 250, 253, 276, 279, 285, 286, 292, 294, 304, 305, and 306.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 4, 5, 7, 20, 21, 22, 23, 24, 25, 26, 28, 38, 39, 41, 42, 43, 44, 45, 46, 48, 50, 51, 59, 60, 62, 63, 64, 65, 66, 74, 75, 76, 77, 78, 79, 82, 83, 84, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 122, 123, 124, 125, 127, 128, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 142, 143, 145, 146, 147, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 181, 182, 183, 184, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 201, 209, 210, 216, 217, 218, 219, 220, 221, 225, 229, 230, 231, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 251, 254, 255, 256, 257, 258, 259, 261, 262, 263, 264, 265, 266, 267, 269, 270, 271, 272, 273, 274, 275, 277, 278, 280, 281, 283, 284, 287, 288, 289, 291, 293, 297, 298, 300, 302, 303, 307, and 308, and agree to the same.

* * * * * * *

And the Senate agree to the same.

Amendment numbered 6:

That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows:

Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

SEC. 102. ALTERNATIVE TAX ON INDIVIDUALS WITH GROSS INCOME FROM CERTAIN SOURCES OF LESS THAN $3,000.

(a) IN GENERAL.—Section 400 (relating to optional tax) is amended to read as follows:

"SEC. 400. IMPOSITION OF TAX.

"In lieu of the tax imposed under sections 11, 12, and 450, an individual who makes his return on the cash basis may elect, for each taxable year, to pay the tax shown in the following table if his gross income for such taxable year is less than $3,000 and consists wholly of one or more of the following: Salary, wages, compensation for personal services, dividends, interest, or annuities:

"Single person (not head of family)

"If the gross income is—		And the number of dependents is—							
		0	1	2	3	4	5	6	7 or more
At least	But less than	The tax shall be—							
$0	$525	$0	$0	$0	$0	$0	$0	$0	$0
525	550	1	0	0	0	0	0	0	0
550	575	5	0	0	0	0	0	0	0
575	600	10	0	0	0	0	0	0	0
600	625	14	0	0	0	0	0	0	0
625	650	19	0	0	0	0	0	0	0
650	675	24	1	1	1	1	1	1	1
675	700	30	2	2	2	2	2	2	2
700	725	35	3	3	3	3	3	3	3
725	750	40	3	3	3	3	3	3	3
750	775	45	4	4	4	4	4	4	4
775	800	51	5	5	5	5	5	5	5
800	825	56	6	6	6	6	6	6	6
825	850	61	6	6	6	6	6	6	6
850	875	66	7	7	7	7	7	7	7
875	900	71	8	8	8	8	8	8	8
900	925	77	10	9	9	9	9	9	9
925	950	82	15	9	9	9	9	9	9
950	975	87	21	10	10	10	10	10	10
975	1,000	92	26	11	11	11	11	11	11
1,000	1,025	97	31	12	12	12	12	12	12
1,025	1,050	103	36	12	12	12	12	12	12
1,050	1,075	108	41	13	13	13	13	13	13
1,075	1,100	113	47	14	14	14	14	14	14
1,100	1,125	118	52	15	15	15	15	15	15
1,125	1,150	124	57	15	15	15	15	15	15

* * * * * * *

Amendment No. 311: This amendment adds sections 901 and 902 to the House bill.

Section 901 postpones the increase in the rates of the taxes imposed by the Federal Insurance Contributions Act by providing that in the case of each such tax the 1-percent rate shall remain in force through the calendar year 1944, and that the 2-percent rate shall apply to wages paid and received during the calendar year 1945.

Section 902 amends section 201 (a) of title II of the Social Security Act, as amended. The existing section 201 (a) creates the Federal Old-Age and Survivors Insurance Trust Fund and provides that the fund shall, in addition to other items, consist of such amounts as may be appropriated to the trust fund. Amounts equivalent to 100 percent of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act are, under existing law, permanently appropriated to the trust fund. The amendment to section 201 (a) authorizes appropriations to the trust fund of such additional sums as may be required to finance the benefits and payments provided under title II of the Social Security Act, as amended.

The House recedes with clerical amendments.

R. L. DOUGHTON,
THOS. H. CULLEN,
JERE COOPER,
WESLEY E. DISNEY,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
Managers on the part of the House.

REVENUE ACT OF 1943—CONFERENCE REPORT

Mr. DOUGHTON. Mr. Speaker, I call up the conference report upon the bill (H. R. 3687) to provide revenue, and for other purposes, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

(The Clerk proceeded to read the statement of the conferees.)

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3687) to provide revenue, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 2, 33, 52, 54, 56, 97, 98, 99, 100, 101, 102, 103, 104, 105, 106, 107, 108, 140, 165, 185, 187, 200, 211, 214, 215, 222, 223, 224, 226, 227, 228, 250, 253, 276, 279, 285, 288, 292, 294, 304, 305, and 306.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 4, 5, 7, 20, 21, 22, 23, 24, 25, 26, 28, 38, 39, 41, 42, 43, 44, 45, 46, 48, 50, 51, 59, 60, 62, 63, 64, 65, 66, 74, 75, 76, 77, 78, 79, 82, 83, 84, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 122, 123, 124, 125, 127, 128, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 142, 143, 145, 146, 147, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 181, 182, 183, 184, 188, 189, 190, 191, 192, 193, 194, 195, 196, 198, 201, 209, 210, 216, 217, 218, 219, 220, 221, 225, 229, 230, 231, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 251, 254, 255, 256, 257, 258, 259, 261, 262, 263, 264, 265, 266, 267, 269, 270, 271, 272, 273, 274, 275, 277, 278, 280, 281, 283, 284, 287, 288, 289, 291, 293, 297, 298, 300, 302, 303, 307, and 308, and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

[In the following table, a section number enclosed in parentheses following the description of the subject matter of a section, subsection, or paragraph of this act indicates each provision of the Internal Revenue Code amended by such section, subsection, or paragraph of this act.]

"TABLE OF CONTENTS

And the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"SEC. 102. Alternative tax on individuals with gross income from certain sources of less than $3,000.

"(a) In General. Section 400 (relating to optional tax) is amended to read as follows:

" 'SEC. 400. Imposition of tax.

" 'In lieu of the tax imposed under sections 11, 12, and 450, an individual who makes his return on the cash basis may elect, for each taxable year, to pay the tax shown in the following table if his gross income for such taxable year is less than $3,000 and consists wholly of one or more of the following: Salary, wages, compensation for personal services, dividends, interest, or annuities:

"Single person (not head of family)

"If the gross income is—		And the number of dependents is—							
		0	1	2	3	4	5	6	7 or more
At least	But less than	The tax shall be—							
$0	$525	$0	$0	$0	$0	$0	$0	$0	$0
525	550	1	0	0	0	0	0	0	0
550	575	5	0	0	0	0	0	0	0
575	600	10	0	0	0	0	0	0	0
600	625	14	0	0	0	0	0	0	0
625	650	19	0	0	0	0	0	0	0
650	675	24	1	1	1	1	1	1	1
675	700	30	2	2	2	2	2	2	2
700	725	35	3	3	3	3	3	3	3
725	750	40	3	3	3	3	3	3	3
750	775	45	4	4	4	4	4	4	4
775	800	51	5	5	5	5	5	5	5
800	825	56	6	6	6	6	6	6	6
825	850	61	6	6	6	6	6	6	6
850	875	66	7	7	7	7	7	7	7
875	900	71	8	8	8	8	8	8	8
900	925	77	10	9	9	9	9	9	9
925	950	82	15	9	9	9	9	9	9
950	975	87	21	10	10	10	10	10	10
975	1,000	92	26	11	11	11	11	11	11
1,000	1,025	97	31	12	12	12	12	12	12
1,025	1,050	103	36	12	12	12	12	12	12
1,050	1,075	108	41	13	13	13	13	13	13
1,075	1,100	113	47	14	14	14	14	14	14
1,100	1,125	118	52	15	15	15	15	15	15
1,125	1,150	124	57	15	15	15	15	15	15
1,150	1,175	129	62	16	16	16	16	16	16
1,175	1,200	134	67	17	17	17	17	17	17
1,200	1,225	139	73	18	18	18	18	18	18
1,225	1,250	144	78	18	18	18	18	18	18
1,250	1,275	150	83	19	19	19	19	19	19
1,275	1,300	155	88	22	20	20	20	20	20
1,300	1,325	160	94	27	21	21	21	21	21
1,325	1,350	165	99	32	21	21	21	21	21
1,350	1,375	170	104	37	22	22	22	22	22
1,375	1,400	176	109	43	23	23	23	23	23
1,400	1,425	181	114	48	24	24	24	24	24
1,425	1,450	186	120	53	24	24	24	24	24
1,450	1,475	191	125	58	25	25	25	25	25
1,475	1,500	197	130	64	26	26	26	26	26
1,500	1,525	202	135	69	27	27	27	27	27
1,525	1,550	207	141	74	27	27	27	27	27
1,550	1,575	212	146	79	28	28	28	28	28
1,575	1,600	217	151	84	29	29	29	29	29
1,600	1,625	223	156	90	30	30	30	30	30
1,625	1,650	228	161	95	30	30	30	30	30
1,650	1,675	233	167	100	34	31	31	31	31
1,675	1,700	238	172	105	39	32	32	32	32
1,700	1,725	244	177	111	44	33	33	33	33
1,725	1,750	249	182	116	49	33	33	33	33
1,750	1,775	254	187	121	54	34	34	34	34
1,775	1,800	259	193	126	60	35	35	35	35
1,800	1,825	264	198	131	65	36	36	36	36
1,825	1,850	270	203	137	70	36	36	36	36
1,850	1,875	275	208	142	75	37	37	37	37
1,875	1,900	280	214	147	81	38	38	38	38
1,900	1,925	285	219	152	86	39	39	39	39
1,925	1,950	290	224	157	91	39	39	39	39

And the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"SEC. 102. Alternative tax on individuals with gross income from certain sources of less than $3,000.

"(a) In General. Section 400 (relating to optional tax) is amended to read as follows:

" 'SEC. 400. Imposition of tax.

" 'In lieu of the tax imposed under sections 11, 12, and 450, an individual who makes his return on the cash basis may elect, for each taxable year, to pay the tax shown in the following table if his gross income for such taxable year is less than $3,000 and consists wholly of one or more of the following: Salary, wages, compensation for personal services, dividends, interest, or annuities:

"Single person (not head of family)

"If the gross income is—		And the number of dependents is—							
		0	1	2	3	4	5	6	7 or more
At least	But less than	The tax shall be—							
$0	$525	$0	$0	$0	$0	$0	$0	$0	$0
525	550	1	0	0	0	0	0	0	0
550	575	5	0	0	0	0	0	0	0
575	600	10	0	0	0	0	0	0	0
600	625	14	0	0	0	0	0	0	0
625	650	19	0	0	0	0	0	0	0
650	675	24	1	1	1	1	1	1	1
675	700	30	2	2	2	2	2	2	2
700	725	35	3	3	3	3	3	3	3
725	750	40	3	3	3	3	3	3	3
750	775	45	4	4	4	4	4	4	4
775	800	51	5	5	5	5	5	5	5
800	825	56	6	6	6	6	6	6	6
825	850	61	6	6	6	6	6	6	6
850	875	66	7	7	7	7	7	7	7
875	900	71	8	8	8	8	8	8	8
900	925	77	10	9	9	9	9	9	9
925	950	82	15	9	9	9	9	9	9
950	975	87	21	10	10	10	10	10	10
975	1,000	92	26	11	11	11	11	11	11
1,000	1,025	97	31	12	12	12	12	12	12
1,025	1,050	103	36	12	12	12	12	12	12
1,050	1,075	108	41	13	13	13	13	13	13
1,075	1,100	113	47	14	14	14	14	14	14
1,100	1,125	118	52	15	15	15	15	15	15
1,125	1,150	124	57	15	15	15	15	15	15
1,150	1,175	129	62	16	16	16	16	16	16
1,175	1,200	134	67	17	17	17	17	17	17
1,200	1,225	139	73	18	18	18	18	18	18
1,225	1,250	144	78	18	18	18	18	18	18
1,250	1,275	150	83	19	19	19	19	19	19
1,275	1,300	155	88	22	20	20	20	20	20
1,300	1,325	160	94	27	21	21	21	21	21
1,325	1,350	165	99	32	21	21	21	21	21
1,350	1,375	170	104	37	22	22	22	22	22
1,375	1,400	176	109	43	23	23	23	23	23
1,400	1,425	181	114	48	24	24	24	24	24
1,425	1,450	186	120	53	24	24	24	24	24
1,450	1,475	191	125	58	25	25	25	25	25
1,475	1,500	197	130	64	26	26	26	26	26
1,500	1,525	202	135	69	27	27	27	27	27
1,525	1,550	207	141	74	27	27	27	27	27
1,550	1,575	212	146	79	28	28	28	28	28
1,575	1,600	217	151	84	29	29	29	29	29
1,600	1,625	223	156	90	30	30	30	30	30
1,625	1,650	228	161	95	30	30	30	30	30
1,650	1,675	233	167	100	34	31	31	31	31
1,675	1,700	238	172	105	39	32	32	32	32
1,700	1,725	244	177	111	44	33	33	33	33
1,725	1,750	249	182	116	49	33	33	33	33
1,750	1,775	254	187	121	54	34	34	34	34
1,775	1,800	259	193	126	60	35	35	35	35
1,800	1,825	264	198	131	65	36	36	36	36
1,825	1,850	270	203	137	70	36	36	36	36
1,850	1,875	275	208	142	75	37	37	37	37
1,875	1,900	280	214	147	81	38	38	38	38
1,900	1,925	285	219	152	86	39	39	39	39
1,925	1,950	290	224	157	91	39	39	39	39

"Single person (not head of family)—Con.

"If the gross income is—		And the number of dependents is—							
		0	1	2	3	4	5	6	7 or more
At least	But less than	The tax shall be—							
$1,950	$1,975	$296	$229	$163	$96	$40	$40	$40	$40
1,975	2,000	301	234	168	101	41	41	41	41
2,000	2,025	306	240	173	107	42	42	42	42
2,025	2,050	311	245	178	112	45	42	42	42
2,050	2,075	317	250	184	117	51	43	43	43
2,075	2,100	322	255	189	122	56	44	44	44
2,100	2,125	327	260	194	127	61	45	45	45
2,125	2,150	332	266	199	133	66	45	45	45
2,150	2,175	337	271	204	138	71	46	46	46
2,175	2,200	343	276	210	143	77	47	47	47
2,200	2,225	348	281	215	148	82	48	48	48
2,225	2,250	353	287	220	154	87	48	48	48
2,250	2,275	358	292	225	159	92	49	49	49
2,275	2,300	363	297	230	164	97	50	50	50
2,300	2,325	369	302	236	169	103	51	51	51
2,325	2,350	374	307	241	174	108	51	51	51
2,350	2,375	379	313	246	180	113	52	52	52
2,375	2,400	384	318	251	185	118	53	53	53
2,400	2,425	390	323	257	190	124	57	54	54
2,425	2,450	395	328	262	195	129	62	54	54
2,450	2,475	400	333	267	200	134	67	55	55
2,475	2,500	405	339	272	206	139	73	56	56
2,500	2,525	410	344	277	211	144	78	57	57
2,525	2,550	416	349	283	216	150	83	57	57
2,550	2,575	421	354	288	221	155	88	58	58
2,575	2,600	426	360	293	227	160	94	59	59
2,600	2,625	431	365	298	232	165	99	60	60
2,625	2,650	436	370	303	237	170	104	60	60
2,650	2,675	442	375	309	242	176	109	61	61
2,675	2,700	448	380	314	247	181	114	62	62
2,700	2,725	454	386	319	253	186	120	63	63
2,725	2,750	460	391	324	258	191	125	63	63
2,750	2,775	465	396	330	263	197	130	64	64
2,775	2,800	471	401	335	268	202	135	69	65
2,800	2,825	477	406	340	273	207	140	74	66
2,825	2,850	483	412	345	279	212	146	79	66
2,850	2,875	489	417	350	284	217	151	84	67
2,875	2,900	495	422	356	289	223	156	90	68
2,900	2,925	501	427	361	294	228	161	95	69
2,925	2,950	507	433	366	300	233	167	100	69
2,950	2,975	513	438	371	305	238	172	105	70
2,975	3,000	519	443	376	310	243	177	110	71

"Married person making separate return

"If the gross income is—		And the number of dependents is—							
		0	1	2	3	4	5	6	7 or more
At least	But less than	The tax shall be—							
$0	$650	$0	$0	$0	$0	$0	$0	$0	$0
650	675	5	1	1	1	1	1	1	1
675	700	11	2	2	2	2	2	2	2
700	725	16	3	3	3	3	3	3	3
725	750	21	3	3	3	3	3	3	3
750	775	26	4	4	4	4	4	4	4
775	800	32	5	5	5	5	5	5	5
800	825	37	6	6	6	6	6	6	6
825	850	42	6	6	6	6	6	6	6
850	875	47	7	7	7	7	7	7	7
875	900	52	8	8	8	8	8	8	8
900	925	58	9	9	9	9	9	9	9
925	950	63	9	9	9	9	9	9	9
950	975	68	10	10	10	10	10	10	10
975	1,000	73	11	11	11	11	11	11	11
1,000	1,025	78	12	12	12	12	12	12	12
1,025	1,050	84	17	12	12	12	12	12	12
1,050	1,075	89	22	13	13	13	13	13	13
1,075	1,100	94	28	14	14	14	14	14	14
1,100	1,125	99	33	15	15	15	15	15	15
1,125	1,150	105	38	15	15	15	15	15	15
1,150	1,175	110	43	16	16	16	16	16	16
1,175	1,200	115	48	16	17	17	17	17	17
1,200	1,225	120	54	18	18	18	18	18	18
1,225	1,250	125	59	18	18	18	18	18	18
1,250	1,275	131	64	19	19	19	19	19	19
1,275	1,300	136	69	20	20	20	20	20	20
1,300	1,325	141	75	21	21	21	21	21	21
1,325	1,350	146	80	21	21	21	21	21	21
1,350	1,375	151	85	22	22	22	22	22	22
1,375	1,400	157	90	24	23	23	23	23	23
1,400	1,425	162	95	29	24	24	24	24	24
1,425	1,450	167	101	34	24	24	24	24	24
1,450	1,475	172	106	39	25	25	25	25	25
1,475	1,500	178	111	45	26	26	26	26	26
1,500	1,525	183	116	50	27	27	27	27	27
1,525	1,550	188	122	55	27	27	27	27	27
1,550	1,575	193	127	60	28	28	28	28	28
1,575	1,600	198	132	65	29	29	29	29	29
1,600	1,625	204	137	71	30	30	30	30	30
1,625	1,650	209	142	76	30	30	30	30	30

"Married person making separate return—Continued

"If the gross income is—		And the number of dependents is—							
		0	1	2	3	4	5	6	7 or more
At least	But less than	The tax shall be—							
$1,650	$1,675	$214	$148	$81	$31	$31	$31	$31	$31
1,675	1,700	219	153	86	32	32	32	32	32
1,700	1,725	225	158	92	33	33	33	33	33
1,725	1,750	230	163	97	33	33	33	33	33
1,750	1,775	235	168	102	35	34	34	34	34
1,775	1,800	240	174	107	41	35	35	35	35
1,800	1,825	245	179	112	46	36	36	36	36
1,825	1,850	251	184	118	51	36	36	36	36
1,850	1,875	256	189	123	56	37	37	37	37
1,875	1,900	261	195	128	62	38	38	38	38
1,900	1,925	266	200	133	67	39	39	39	39
1,925	1,950	271	205	138	72	39	39	39	39
1,950	1,975	277	210	144	77	40	40	40	40
1,975	2,000	282	215	149	82	41	41	41	41
2,000	2,025	287	221	154	88	42	42	42	42
2,025	2,050	292	226	159	93	42	42	42	42
2,050	2,075	298	231	165	98	43	43	43	43
2,075	2,100	303	236	170	103	44	44	44	44
2,100	2,125	308	241	175	108	45	45	45	45
2,125	2,150	313	247	180	114	47	45	45	45
2,150	2,175	318	252	185	119	52	46	46	46
2,175	2,200	324	257	191	124	58	47	47	47
2,200	2,225	329	262	196	129	63	48	48	48
2,225	2,250	334	268	201	135	68	48	48	48
2,250	2,275	339	273	206	140	73	49	49	49
2,275	2,300	344	278	211	145	78	50	50	50
2,300	2,325	350	283	217	150	84	51	51	51
2,325	2,350	355	288	222	155	89	51	51	51
2,350	2,375	360	294	227	161	94	52	52	52
2,375	2,400	365	299	232	166	99	53	53	53
2,400	2,425	371	304	238	171	105	54	54	54
2,425	2,450	376	309	243	176	110	54	54	54
2,450	2,475	381	314	248	181	115	55	55	55
2,475	2,500	386	320	253	187	120	56	56	56
2,500	2,525	391	325	258	192	125	59	57	57
2,525	2,550	397	330	264	197	131	64	57	57
2,550	2,575	402	335	269	202	136	69	58	58
2,575	2,600	407	341	274	208	141	75	59	59
2,600	2,625	412	346	279	213	146	80	60	60
2,625	2,650	417	351	284	218	151	85	60	60
2,650	2,675	423	356	290	223	157	90	61	61
2,675	2,700	428	361	295	228	162	95	62	62
2,700	2,725	433	367	300	234	167	101	63	63
2,725	2,750	438	372	305	239	172	106	63	63
2,750	2,775	444	377	311	244	178	111	64	64
2,775	2,800	449	382	316	249	183	116	65	65
2,800	2,825	455	387	321	254	188	121	66	66
2,825	2,850	461	393	326	260	193	127	66	66
2,850	2,875	467	398	331	265	198	132	67	67
2,875	2,900	473	403	337	270	204	137	71	68
2,900	2,925	479	408	342	275	209	142	76	69
2,925	2,950	485	414	347	281	214	148	81	69
2,950	2,975	491	419	352	286	219	153	86	70
2,975	3,000	497	424	357	291	224	158	91	71

"(1) Married person whose spouse has no gross income or (2) married person making joint return or (3) head of family

"If the gross income is—		And the number of dependents is—					
		0	1	2	3	4	5 or more
At least	But less than	The tax shall be—					
$0	$650	$0	$0	$0	$0	$0	$0
650	675	1	1	1	1	1	1
675	700	2	2	2	2	2	2
700	725	3	3	3	3	3	3
725	750	3	3	3	3	3	3
750	775	4	4	4	4	4	4
775	800	5	5	5	5	5	5
800	825	6	6	6	6	6	6
825	850	6	6	6	6	6	6
850	875	7	7	7	7	7	7
875	900	8	8	8	8	8	8
900	925	9	9	9	9	9	9
925	950	9	9	9	9	9	9
950	975	10	10	10	10	10	10
975	1,000	11	11	11	11	11	11
1,000	1,025	12	12	12	12	12	12
1,025	1,050	12	12	12	12	12	12
1,050	1,075	13	13	13	13	13	13
1,075	1,100	14	14	14	14	14	14
1,100	1,125	15	15	15	15	15	15
1,125	1,150	15	15	15	15	15	15
1,150	1,175	16	16	16	16	16	16
1,175	1,200	17	17	17	17	17	17
1,200	1,225	18	18	18	18	18	18
1,225	1,250	18	18	18	18	18	18
1,250	1,275	19	19	19	19	19	19
1,275	1,300	22	20	20	20	20	20

"(1) Married person whose spouse has no gross income or (2) married person making joint return or (3) head of family—Con.

"If the gross income is—		And the number of dependents is—					
		0	1	2	3	4	5 or more
At least	But less than	The tax shall be—					
$1,300	$1,325	$27	$21	$21	$21	$21	$21
1,325	1,350	32	21	21	21	21	21
1,350	1,375	37	22	22	22	22	22
1,375	1,400	43	23	23	23	23	23
1,400	1,425	48	24	24	24	24	24
1,425	1,450	53	24	24	24	24	24
1,450	1,475	58	25	25	25	25	25
1,475	1,500	64	26	26	26	26	26
1,500	1,525	69	27	27	27	27	27
1,525	1,550	74	27	27	27	27	27
1,550	1,575	79	28	28	28	28	28
1,575	1,600	84	29	29	29	29	29
1,600	1,625	90	30	30	30	30	30
1,625	1,650	95	30	30	30	30	30
1,650	1,675	100	34	31	31	31	31
1,675	1,700	105	39	32	32	32	32
1,700	1,725	111	44	33	33	33	33
1,725	1,750	116	49	33	33	33	33
1,750	1,775	121	54	34	34	34	34
1,775	1,800	126	60	35	35	35	35
1,800	1,825	131	65	36	36	36	36
1,825	1,850	137	70	36	36	36	36
1,850	1,875	142	75	37	37	37	37
1,875	1,900	147	81	38	38	38	38
1,900	1,925	152	86	39	39	39	39
1,925	1,950	157	91	39	39	39	39
1,950	1,975	163	96	40	40	40	40
1,975	2,000	168	101	41	41	41	41
2,000	2,025	173	107	42	42	42	42
2,025	2,050	178	112	45	42	42	42
2,050	2,075	184	117	51	43	43	43
2,075	2,100	189	122	56	44	44	44
2,100	2,125	194	127	61	45	45	45
2,125	2,150	199	133	66	45	45	45
2,150	2,175	204	138	71	46	46	46
2,175	2,200	210	143	77	47	47	47
2,200	2,225	215	148	82	48	48	48
2,225	2,250	220	154	87	48	48	48
2,250	2,275	225	159	92	49	49	49
2,275	2,300	230	164	97	50	50	50
2,300	2,325	236	169	103	51	51	51
2,325	2,350	241	174	108	51	51	51
2,350	2,375	246	180	113	52	52	52
2,375	2,400	251	185	118	53	53	53
2,400	2,425	257	190	124	57	54	54
2,425	2,450	262	195	129	62	54	54
2,450	2,475	267	200	134	67	55	55
2,475	2,500	272	206	139	73	56	56
2,500	2,525	277	211	144	78	57	57
2,525	2,550	283	216	150	83	57	57
2,550	2,575	288	221	155	88	58	58
2,575	2,600	293	227	160	94	59	59
2,600	2,625	298	232	165	99	60	60
2,625	2,650	303	237	170	104	60	60
2,650	2,675	309	242	176	109	61	61
2,675	2,700	314	247	181	114	62	62
2,700	2,725	319	253	186	120	63	63
2,725	2,750	324	258	191	125	63	63
2,750	2,775	330	263	197	130	64	64
2,775	2,800	335	268	202	135	69	65
2,800	2,825	340	273	207	140	74	66
2,825	2,850	345	279	212	146	79	66
2,850	2,875	350	284	217	151	84	67
2,875	2,900	356	289	223	156	90	68
2,900	2,925	361	294	228	161	95	69
2,925	2,950	366	300	233	167	100	69
2,950	2,975	371	305	238	172	105	70
2,975	3,000	376	310	243	177	110	71

"'Joint returns.—If a joint return of husband and wife is filed, the amount of tax shown in the above table shall be reduced by 3 per centum of the smaller income of the two spouses, but not by more than $19.'"

"(b) Technical amendment: Section 404 (relating to certain taxpayers ineligible to compute tax under alternative method) is amended by inserting after 'nonresident alien individual,' the following: 'to a citizen of the United States entitled to the benefits of section 251,'."

And the Senate agree to the same.

Amendment numbered 8: That the House recede from its disagreement to the amendment of the Senate numbered 8, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"SEC. 103. Determination of status for purposes of personal exemption and credit for dependents.

"Section 25 (b) (relating to credits for both normal tax and surtax) is amended by striking out paragraph (3) and inserting in lieu thereof the following:

"'(3) Determination of status: For the purpose of determining the amount of the personal exemption and credit for dependents, the status of the taxpayer shall be determined as of July 1 of the taxable year, unless the taxable year does not include July 1, in which case such status shall be determined as of the last day of the taxable year.'

"SEC. 104. Reduction of credits in case of short year limited to jeopardy.

"Section 47 (e) (relating to reduction of personal exemption and credit for dependents in case of short taxable year) is amended by striking out ', except a return made under subsection (a), on account of a change in the accounting period' and inserting in lieu thereof 'under section 146 (a) (1)'."

And the Senate agree to the same.

Amendment numbered 9: That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"SEC. 105. Returns of income.

"(a) Individual returns: Section 51 (relating to individual returns) is amended by inserting at the end thereof the following:

"'(f) Determination of status: For the purposes of this section and section 142 (a), the determination of whether an individual is married and living with husband or wife shall be made as of July 1 of the taxable year, unless the taxable year does not include July 1, in which case such determination shall be made as of the last day of the taxable year'."

"(b) Joint returns: Section 51 (b) (relating to joint returns) is amended by inserting before the period at the end thereof 'or if husband and wife have different taxable years'."

And the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with amendments as follows: On page 8, line 10, of the Senate engrossed amendments, strike out "SEC. 102" and insert "SEC. 106."

On page 24, line 21, of the House bill, strike out "and 15" and insert "15, and 450"; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "107"; and the Senate agreed to the same.

Amendment numbered 12: That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "108"; and the Senate agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment as follows: On page 9, line 4, of the Senate engrossed amendments, strike out "105" and insert "109"; and the Senate agree to the same.

Amendment numbered 14: That the House recede from its disagreement to the amendment of the Senate numbered 14, and agree to the same with an amendment as follows: On page 9, line 14, of the Senate engrossed amendments, strike out "106" and insert "110"; and the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "111"; and the Senate agree to the same.

Amendment numbered 16: That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with amendments as follows:

On page 11, line 20, of the Senate engrossed amendments, strike out "108" and insert "113";

On page 12, line 4, of the Senate engrossed amendments, after "year", insert a comma; and the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with amendments as follows: On page 12 of the Senate engrossed amendments, in line 9, strike out "109" and insert "114", and in line 14, strike out "end to" and insert "end of"; and the Senate agree to the same.

Amendment numbered 18: That the House recede from its disagreement to the amendment of the Senate numbered 18, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "115"; and the Senate agree to the same.

Amendment numbered 19: That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with amendments as follows:

On page 13 of the Senate engrossed amendments, in line 2, strike out "111" and insert "116", and in line 25, strike out "(9)" and insert "(10), or so much of section 112 (d) or (e) as relates to section 112 (b) (10),";

On page 28, line 1, of the House bill, strike out "112" and insert "117"; and the Senate agree to the same.

Amendment numbered 27: That the House recede from its disagreement to the amendment of the Senate numbered 27, and agree to the same with an amendment as follows: On page 15, line 9, of the Senate engrossed amendments, after "exempt", insert "solely"; and the Senate agree to the same.

Amendment numbered 29: That the House recede from its disagreement to the amendment of the Senate numbered 29, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 118. Penalties in connection with estimated tax.

"(a) In General: Section 294 (relating to additions to the tax) is amended by striking out paragraphs (3), (4), and (5) of subsection (a) and inserting at the end thereof the following:

"'(d) Estimated Tax:

"'(1) Failure to file declaration or pay installment of estimated tax:

"'(A) Failure to File Declaration: In the case of a failure to make and file a declaration of estimated tax within the time prescribed, unless such failure is shown to the satisfaction of the Commissioner to be due to reasonable cause and not to willful neglect, there shall be added to the tax 5 per centum of each installment due but unpaid, and in addition, with respect to each such installment due but unpaid, 1 per centum of the unpaid amount thereof for each month (except the first) or fraction thereof during which such amount remains unpaid. In no event shall the aggregate addition to the tax under this subparagraph with respect to any installment due but unpaid, exceed 10 per centum of the unpaid portion of such installment. For the purposes of this subparagraph each installment shall be considered to be an amount equal to the amount that would have been due and payable if a declaration showing an estimated tax in the amount of the correct tax had been timely filed, and one such installment shall be considered due on the fifteenth day of the last month of that quarter of the taxable year in which the declaration is required to be filed, and another such installment shall be considered due on the fifteenth day of the last month of each succeeding quarter of the taxable year.

"'(B) Failure to Pay Installments of Estimated Tax Declared: Where a declaration of estimated tax has been made and filed within the time prescribed, or where a declaration of estimated tax has been made and filed after the time prescribed and the Commissioner has found that failure to make and file such declaration within the time prescribed was due to reasonable cause and not to willful neglect, in the case of a failure to pay an installment of the estimated tax within the time prescribed, unless such failure is shown to the satisfaction of the Commissioner to be due to reasonable cause and not to willful neglect, there shall be added to the tax 5 per centum of the unpaid amount of such installment, and in addition 1 per centum of such unpaid amount for each month (except the first) or fraction thereof during which such amount remains unpaid. In no event shall the aggregate addition to the tax under this subparagraph with respect to any installment due but unpaid, exceed 10 per centum of the unpaid portion of such installment.

"'Substantial underestimate of estimated tax: If 80 per centum of the tax determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66⅔ per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer, nor, under regulations prescribed by the Commissioner with the approval of the Secretary, shall it apply to the taxable year in which the taxpayer makes a timely payment of estimated tax within or before each quarter (excluding, in case the taxable year begins in 1943, any quarter beginning prior to July 1, 1943) of such year (or in the case of farmers exercising an election under section 60 (a), within the last quarter) in an amount at least as great as though computed (under such regulations) on the basis of the taxpayer's status with respect to the personal exemption and credit for dependents on the date of the filing of the declaration for such taxable year (or in the case of any such farmer, or in case the fifteenth day of the third month of the taxable year occurs after July 1, on July 1 of the taxable year) but otherwise on the basis of the facts shown on his return for the preceding taxable year.'

"(b) Technical Amendment: Section 60 (b) (relating to the application of declarations of estimated tax to short taxable years) is amended by striking out '294 (a) (3), (4), and (5), and inserting in lieu thereof '294 (d)'.

"(c) Taxable Years to Which Applicable: The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1942."

And the Senate agree to the same.

Amendment numbered 30: That the House recede from its disagreement to the amendment of the Senate numbered 30, and agree to the same with an amendment as follows. Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"SEC. 119. Back pay attributable to prior years.

"(a) In General: Section 107 (relating to compensation for certain services rendered) is amended by inserting at the end thereof the following new subsection:

"'(d) Back Pay:

"'(1) In general: If the amount of the back pay received or accrued by an individual during the taxable year exceeds 15 per centum of the gross income of the individual for such

year, the part of the tax attributable to the inclusion of such back pay in gross income for the taxable year shall not be greater than the aggregate of the increases in the taxes which would have resulted from the inclusion of the respective portions of such back pay in gross income for the taxable years to which such portions are respectively attributable, as determined under regulations prescribed by the Commissioner with the approval of the Secretary.

"'(2) Definition of back pay: For the purposes of this subsection, "back pay" means (A) remuneration, including wages, salaries, retirement pay, and other similar compensation, which is received or accrued during the taxable year by an employee for services performed prior to the taxable year for his employer and which would have been paid prior to the taxable year except for the intervention of one of the following events: (i) bankruptcy or receivership of the employer; (ii) dispute as to the liability of the employer to pay such remuneration, which is determined after the commencement of court proceedings; (iii) if the employer is the United States, a State, a Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any of the foregoing, lack of funds appropriated to pay such remuneration; or (iv) any other event determined to be similar in nature under regulations prescribed by the Commissioner with the approval of the Secretary; and (B) wages or salaries which are received or accrued during the taxable year by an employee for services performed prior to the taxable year for his employer and which constitute retroactive wage or salary increases ordered, recommended, or approved by any Federal or State agency, and made retroactive to any period prior to the taxable year; and (C) payments which are received or accrued during the taxable year as the result of an alleged violation by an employer of any State or Federal law relating to labor standards or practices, and which are determined under regulations prescribed by the Commissioner with the approval of the Secretary to be attributable to a prior taxable year. Amounts not includible in gross income under this chapter shall not constitute "back pay".'

"(b) Technical Amendment: The title of section 107 is amended by adding at the end thereof the following: 'and back pay'.

"(c) Taxable Years to Which Applicable: The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1940."

And the Senate agree to the same.

Amendment numbered 31: That the House recede from its disagreement to the amendment of the Senate numbered 31, and agree to the same with an amendment as follows: On page 19, line 7, of the Senate engrossed amendments, strike out "114" and insert "123"; and the Senate agree to the same.

Amendment numbered 32: That the House recede from its disagreement to the amendment of the Senate numbered 32, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 121. Reorganization of certain insolvent corporations.

"(a) Nonrecognition of Gain or Loss on Certain Reorganizations: Section 112 (b) (relating to recognition of gain or loss upon certain exchanges) is amended by inserting at the end thereof the following:

"'(10) Gain or loss not recognized on reorganization of corporations in certain receivership and bankruptcy proceedings: No gain or loss shall be recognized if property of a corporation (other than a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended) is transferred, in a taxable year of such corporation beginning after December 31, 1933, in pursuance of an order of the court having jurisdiction of such corporation—

"'(A) in a receivership, foreclosure, or similar proceeding, or

"'(B) in a proceeding under section 77B or Chapter X of the National Bankruptcy Act, as amended,

to another corporation organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding, in exchange solely for stock or securities in such other corporation.'

"(b) Recognition of Gain or Loss of Security Holders in Connection With Certain Corporate Reorganizations: Section 112 (relating to recognition of gain or loss) is amended by inserting at the end thereof the following:

"'(1) Exchanges by Security Holders in Connection With Certain Corporate Reorganizations:

"'(1) General rule: No gain or loss shall be recognized upon an exchange consisting of the relinquishment or extinguishment of stock or securities in a corporation the plan of reorganization of which is approved by the court in a proceeding described in subsection (b) (10), in consideration of the acquisition solely of stock or securities in a corporation organized or made use of to effectuate such plan of reorganization.

"'(2) Exchange occurring in taxable years beginning prior to January 1, 1943: If the exchange occurred in a taxable year of the person acquiring such stock or securities beginning prior to January 1, 1943, then, under regulations prescribed by the Commissioner with the approval of the Secretary, gain or loss shall be recognized or not recognized—

"'(A) to the extent that it was recognized or not recognized in the final determination of the tax of such person for such taxable year, if such tax was finally determined prior to the ninetieth day after the date of the enactment of the Revenue Act of 1943; or

"'(B) in cases to which subparagraph (A) is not applicable, to the extent that it would be recognized or not recognized under the latest treatment of such exchange by such person prior to December 15, 1943, in connection with his tax liability for such taxable year.'

"(c) Basis: Section 113 (a) (relating to basis of property) is amended—

"(1) by inserting after '112 (b) to (e), inclusive,' in paragraph (6) the following: 'or section 112 (l),';

"(2) by inserting after 'property permitted by section 112 (b)' in paragraph (6) the following: 'or section 112 (l)'; and

"(3) by inserting after paragraph (21) the following:

"'(22) Property acquired on reorganization of certain corporations: If the property was acquired by a corporation upon a transfer to which section 112 (b) (10), or so much of section 112 (d) or (e) as relates to section 112 (b) (10), is applicable, then, notwithstanding the provisions of section 270 of the National Bankruptcy Act, as amended, the basis in the hands of the acquiring corporation shall be the same as it would be in the hands of the corporation whose property was so acquired, increased in the amount of gain recognized to the corporation whose property was so acquired under the law applicable to the year in which the acquisition occurred, and such basis shall not be adjusted under subsection (b) (3) by reason of a discharge of indebtedness pursuant to the plan of reorganization under which such transfer was made.'

"(d) Technical Amendments:

"(1) Section 112 (c) (relating to gain from exchanges not solely in kind) is amended by inserting after '(b) (1), (2), (3), or (5)', the following: ', or within the provisions of subsection (l),', and by inserting after 'paragraph' the following: 'or by subsection (l)'.

"(2) Section 112 (d) (relating to gain of corporation) is amended by inserting after 'subsection (b) (4)' the following: 'or (10)'.

"(3) Section 112 (e) (relating to loss from exchanges not solely in kind) is amended by inserting after 'subsection (b) (1) to (5), inclusive,' the following: 'or (10), or within the provisions of subsection (l),'.

"(4) So much of section 112 (g) (defining 'reorganization') as precedes paragraph (1) is amended to read as follows:

"'(g) Definition of reorganization: As used in this section (other than subsection (b) (10) and subsection (l) and in section 113 (other than subsection (a) (22))—.'

"(5) Section 112 (k) (relating to assumption of liability) is amended by striking out 'subsection (b) (4) or (5)' wherever appearing therein and inserting in lieu thereof the following: 'subsection (b) (4), (5), or (10)'.

"(6) Section 718 (a) (6) (A) is amended by striking out '112 (b) (3), (4), or (5), or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (3), (4), or (5)' and inserting in lieu thereof '112 (b) (3), (4), (5), or (10), or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (3), (4), (5), or (10).'

"(e) Effective date: Provisions having the effect of the amendments made by subsection (a), subsection (c) (3), and subsection (d) (2), (3), (4), (5), and (6), shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1933, but shall not affect any tax liability for any taxable year beginning prior to January 1, 1943. Provisions having the effect of the amendments made by subsection (b), subsection (c) (1) and (2), and subsection (d) (1), shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1931."

And the Senate agree to the same.

Amendment numbered 34: That the House recede from its disagreement to the amendment of the Senate numbered 34, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 122. Reorganization by adjustment of capital structure prior to September 22, 1938.

"(a) In general: Section 113 (b) (relating to adjustments to the basis of property) is amended by inserting at the end thereof the following:

"'(4) Adjustment of capital structure prior to September 22, 1938: Where a plan of reorganization of a corporation, approved by the court in a proceeding under section 77B of the National Bankruptcy Act, as amended, is consummated by adjustment of the capital or debt structure of such corporation without the transfer of its assets to another corporation, and a final judgment or decree in such proceeding has been entered prior to September 22, 1938, then the provisions of section 270 of the National Bankruptcy Act, as amended, shall not apply in respect of the property of such corporation. For the purposes of this paragraph the term "reorganization" shall not be limited by the definition of such term in section 112 (g).'

"(b) Taxable years to which applicable: A provision having the effect of the amendment made by subsection (a) shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1935."

And the Senate agree to the same.

Amendment numbered 35: That the House recede from its disagreement to the amendment of the Senate numbered 35, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 123. Gain from sale or exchange of property pursuant to orders of Federal Communications Commission.

"(a) In general: Section 112 is amended by adding at the end thereof a new subsection as follows:

"'(m) Gain from sale or exchange to effectuate policies of Federal Communications Commission: If the sale or exchange of property (including stock in a corporation) is certified by the Federal Communications Commission to be necessary or appropriate to effectuate the policies of the Commission with respect to the ownership and control of radio broadcasting stations, such sale or exchange shall, if the taxpayer so elects, be treated as an involuntary conversion of such property within the meaning of subsection (f) of this section. For the purposes of subsection (f) of this section as made applicable by the provisions of this subsection, stock of a corporation operating a radio broadcasting station, whether or not representing control of such corporation, shall be treated as property similar or related in service or use to the property so converted. The part of the gain, if any, upon such sale or exchange to which subsection (f) of this section is not applied shall nevertheless not be recognized, if the taxpayer so elects, to the extent that it is applied to reduce the basis for determining gain or loss upon sale or exchange of property, of a character subject to the allowance for depreciation under section 23 (l), remaining in the hands of the taxpayer immediately after the sale or exchange, or acquired in the same taxable year. The manner and amount of such reduction shall be determined under regulations prescribed by the Commissioner with the approval of the Secretary. Any election made by the taxpayer under this subsection shall be made by a statement to that effect in his return for the taxable year in which the sale or exchange takes place (or, with respect to taxable years beginning before January 1, 1944, by a statement to that effect filed within six months after the date of the enactment of the Revenue Act of 1943 in such manner and form as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary) and such election shall be binding for the taxable year and all subsequent taxable years.'"

"(b) Taxable years to which applicable: The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1942."

And the Senate agree to the same.

Amendment numbered 36: That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "124"; and the Senate agree to the same.

Amendment numbered 37: That the House recede from its disagreement to the amendment of the Senate numbered 37, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "TALC, BARITE,"; and the Senate agree to the same.

Amendment numbered 40: That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(A) In General:"

And the Senate agree to the same.

Amendment numbered 47: That the House recede from its disagreement to the amendment of the Senate numbered 47, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(c) Definition of Gross Income From the Property: Section 114 (b) (4) is amended by adding at the end thereof the following:

"'(B) Definition of Gross Income From Property: As used in this paragraph the term "gross income from the property" means the gross income from mining. The term "mining," as used herein, shall be considered to include not merely the extraction of the ores or minerals from the ground but also the ordinary treatment processes normally applied by mine owners or operators in order to obtain the commercially marketable mineral product or products. The term "ordinary treatment processes," as used herein, shall include the following: (i) In the case of coal—cleaning, breaking, sizing, and loading for shipment; (ii) in the case of sulfur—pumping to vats, cooling, breaking, and loading for shipment; (iii) in the case of iron ore, bauxite, ball and sagger clay, rock asphalt, and minerals which are customarily sold in the form of a crude mineral product—sorting, concentrating, and sintering to bring to shipping grade and form, and loading for shipment; and (iv) in the case of lead, zinc, copper, gold, silver, or fluorspar ores, potash, and ores which are not customarily sold in the form of the crude mineral product—crushing, grinding, and beneficiation by concentration (gravity, flotation, amalgamation, electrostatic, or magnetic), cyanidation, leaching, crystallization, precipitation (but not including as an ordinary treatment process electrolytic deposition, roasting, thermal or electric smelting, or refining), or by substantially equivalent processes or combination of processes used in the separation or extraction of the product or products from the ore, including the furnacing of quicksilver ores. The principles of this subparagraph shall also be applicable in determining gross income attributable to mining for the purposes of sections 731 and 735.'"

And the Senate agree to the same.

Amendment numbered 49: That the House recede from its disagreement to the amendment of the Senate numbered 49, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "A provision having the effect of the amendment made by subsection (c) shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1931;" and the Senate agree to the same.

Amendment numbered 53: That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment as follows: On page 34, line 12, of the Senate engrossed amendments, strike out "118" and insert "125"; and the Senate agree to the same.

Amendment numbered 55: That the House recede from its disagreement to the amendment of the Senate numbered 55, and agree to the same with an amendment as follows: On page 36, line 11, of the Senate engrossed amendments, strike cut "120" and insert "126;" and the Senate agree to the same.

Amendment numbered 57: That the House recede from its disagreement to the amendment of the Senate numbered 57, and agree to the same with amendments as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 127. Gain or loss upon the cutting of timber.

"(a) In general: Section 117 (relating to capital gains and losses) is amended by inserting at the end thereof the following new subsection:

"'(k) Gain or loss upon the cutting of timber:

"'(1) If the taxpayer so elects upon his return for a taxable year, the cutting of timber (for sale or for use in the taxpayer's trade or business) during such year by the taxpayer who owns, or has a contract right to cut, such timber (providing he has owned such timber or has held such contract right for a period of more than six months prior to the beginning of such year) shall be considered as a sale or exchange of such timber cut during such year. In case such election has been made, gain or loss to the taxpayer shall be recognized in an amount equal to the difference between the adjusted basis for depletion of such timber in the hands of the taxpayer and the fair market value of such timber. Such fair market value shall be the fair market value as of the first day of the taxable year in which such timber is cut, and shall thereafter be considered as the cost of such cut timber to the taxpayer for all purposes for which such cost is a necessary factor. If a taxpayer makes an election under this paragraph such election shall apply with respect to all timber which is owned by the taxpayer or which the taxpayer has a contract right to cut and shall be binding upon the taxpayer for the taxable year for which the election is made and for all subsequent years, unless the Commissioner, on showing of undue hardship, permits the taxpayer to revoke his election; such revocation, however, shall preclude any further elections under this paragraph except with the consent of the Commissioner.

"'(2) In the case of the disposal of timber (held for more than six months prior to such disposal) by the owner thereof under any form or type of contract by virtue of which the owner retains an economic interest in such timber, the difference between the amount received for such timber and the adjusted depletion basis thereof shall be considered as though it were a gain or loss, as the case may be, upon the sale of such timber.'"

"(b) Technical Amendment: Section 117 (j) (1) (relating to gains and losses from involuntary conversion and from the sale or exchange of certain property used in the trade or business) is amended by inserting at the end thereof the following: 'Such term also includes timber with respect to which subsection (k) (1) or (2) is applicable.'

"(c) Effective Date: A provision having the effect of section 117 (k) (2) of the Internal Revenue Code inserted by the amendment made by subsection (a) shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after February 28, 1913. The amendment made by subsection (b) shall be effective as if it were made by section 151 of the Revenue Act of 1942."

And the Senate agree to the same.

Amendment numbered 58: That the House recede from its disagreement to the amendment of the Senate numbered 58, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "128"; and the Senate agree to the same.

Amendment numbered 61: That the House recede from its disagreement to the amendment of the Senate numbered 61, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following: "If (1) any person or persons acquire, on or after October 8, 1940, directly or indirectly, control of a corporation or (2) any corporation acquires, on or after October 8, 1940, directly or indirectly, property of another corporation, not controlled, directly or indirectly, immediately prior to such acquisition, by such acquiring corporation or its stockholders, the basis of which property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and the principal purpose for which such acquisition was made is evasion or avoidance of Federal income or excess profits tax by securing the benefit of a deduction, credit, or other allowance which such person or corporation would not otherwise enjoy, then such deduction, credit, or other allowance shall not be allowed. For the purposes of clauses (1) and (2), control means the ownership of stock possessing at least 50 per centum of the total combined voting power of all classes of stock entitled to vote or at least 50 per centum of the total value of shares of all classes of stock

of the corporation"; and the Senate agree to the same.

Amendment numbered 67: That the House recede from its disagreement to the amendment of the Senate numbered 67, and agree to the same with an amendment as follows: Omit the matter proposed to be inserted by the Senate amendment and strike out the matter proposed to be stricken out by the Senate amendment and insert the following: "after December 31, 1943. The determination of the law applicable to prior taxable years shall be made as if this section had not been enacted and without inferences drawn from the fact that the amendment made by this section is not expressly made applicable to prior taxable years."; and the Senate agree to the same.

Amendment numbered 68: That the House recede from its disagreement to the amendment of the Senate numbered 68, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 129. Disallowance of certain deductions attributable to business operated by individual at loss for five years.

"(a) In General: Supplement B of chapter 1 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

"'SEC. 130. Limitation on deductions allowable to individuals in certain cases.

"'(a) Recomputation of Net Income: If the deductions (other than taxes and interest) allowable to an individual (except for the provisions of this section) and attributable to a trade or business carried on by him for five consecutive taxable years have, in each of such years, exceeded by more than $50,000 the gross income derived from such trade or business, the net income of such individual for each of such years shall be recomputed. For the purpose of such recomputation in the case of any such taxable year, such deductions shall be allowed only to the extent of $50,000 plus the gross income attributable to such trade or business, except that the net operating loss deduction, to the extent attributable to such trade or business, shall not be allowed.

"'(b) Redetermination of Tax: Upon the basis of the net income computed under the provisions of subsection (a) for each of the five consecutive taxable years specified in such subsection, the tax imposed by this chapter shall be redetermined for each such taxable year. If for any such taxable year assessment of a deficiency is prevented (except for the provisions of sections 3801 and 3807) by the operation of any law or rule of law (other than section 3761, relating to compromises) any increase in the tax previously determined for such taxable year shall be considered a deficiency for the purposes of this section. For the purposes of this section the term "tax previously determined" shall have the meaning assigned to such terms by section 3801 (d).

"'(c) Extension of statute of limitations: Notwithstanding any law or rule of law (other than section 3761, relating to compromises), any amount determined as a deficiency under subsection (b), or which would be so determined if assessment were prevented in the manner described in subsection (b), with respect to any taxable year may be assessed as if on the date of the expiration of the time prescribed by law for the assessment of a deficiency for the fifth taxable year of the five consecutive taxable years specified in subsection (a), one year remained before the expiration of the period of limitation upon assessment for any such taxable year.'

"(b) Effective date of amendment: The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1939, but shall not affect any tax liability for any taxable year beginning prior to January 1, 1944."

And the Senate agree to the same.

Amendment numbered 69: That the House recede from its disagreement to the amendment of the Senate numbered 69, and agree to the same with an amendment as follows: On page 43, line 2, of the Senate engrossed amendments, strike out "124" and insert "130"; and the Senate agree to the same.

Amendment numbered 70: That the House recede from its disagreement to the amendment of the Senate numbered 70, and agree to the same with an amendment as follows: On page 45, line 16, of the Senate engrossed amendments, strike out "125" and insert "131"; and the Senate agree to the same.

Amendment numbered 71: That the House recede from its disagreement to the amendment of the Senate numbered 71, and agree to the same with an amendment as follows: On page 46, line 9, of the Senate engrossed amendments, strike out "126" and insert "132"; and the Senate agree to the same.

Amendment numbered 72: That the House recede from its disagreement to the amendment of the Senate numbered 72, and agree to the same with an amendment as follows: On page 47, line 2, of the Senate engrossed amendments, strike out "127" and insert "133"; and the Senate agree to the same.

Amendment numbered 73: That the House recede from its disagreement to the amendment of the Senate numbered 73, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "134"; and the Senate agree to the same.

Amendment numbered 80: That the House recede from its disagreement to the amendment of the Senate numbered 80, and agree to the same with an amendment as follows: On page 49, line 7, of the Senate engrossed amendments, strike out "129" and insert "135"; and the Senate agree to the same.

Amendment numbered 81: That the House recede from its disagreement to the amendment of the Senate numbered 81, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "136"; and the Senate agree to the same.

Amendment numbered 85: That the House recede from its disagreement to the amendment of the Senate numbered 85, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and insert the following:

"SEC. 137. Status for withholding at source on wages.

"Section 1622 (h) (1) (relating to withholding exemption certificates) is amended to read as follows:

"'(1) If furnished after the date of commencement of employment with the employer by reason of a change of status, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate, if furnished by reason of a change of status occurring on or before July 1 of the calendar year, may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term "status determination date" means January 1 and July 1 of each year.'"

And the Senate agree to the same.

Amendment numbered 109: That the House recede from its disagreement to the amendment of the Senate numbered 109, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 209. Exempt corporations.

"(a) Corporations Subject to Title IV of the Civil Aeronautics Act of 1938: Section 727 (h) (exempting certain corporations subject to Title IV of the Civil Aeronautics Act of 1938) is amended by adding at the end thereof the following new sentence: 'Such exclusion from gross income for such year shall also be made in computing the unused excess profits credit adjustment for any other taxable year, but only for the purpose of determining whether the corporation is exempted by this subsection from the tax imposed by this Chapter for such other taxable year.'

"(b) Retroactive Effect: The amendment made by this section shall be effective as if it were a part of the Excess Profits Tax Act of 1940 on the date of the enactment of such Act."

And the Senate agree to the same.

Amendment numbered 121: That the House recede from its disagreement to the amendment of the Senate numbered 121, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"'(2) Special rule in case of fiscal years beginning in 1941 and ending after June 30, 1942: In the case of a taxable year beginning in 1941 and ending after June 30, 1942, the credit under section 780 (a) for such taxable year shall not be greater than the excess of the tax paid under this subchapter to the United States for such taxable year (and not credited or refunded under the internal-revenue laws) over the amount of tax which would be payable to the United States under this subchapter if the portion of the tentative tax determined under section 710 (a) (3) (B) were reduced by 10 per centum.'"

And the Senate agree to the same.

Amendment numbered 126: That the House recede from its disagreement to the amendment of the Senate numbered 126, and agree to the same with an amendment as follows: On page 57, line 5, of the Senate engrossed amendments, strike out "fiscal" and insert "taxable"; and the Senate agree to the same.

Amendment numbered 129: That the House recede from its disagreement to the amendment of the Senate numbered 129, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 251. Technical amendment to credit for debt retirement.

"(a) In General: Section 783 (b) (2) (relating to a limitation on the credit for debt retirement) is amended to read as follows:

"'(2) An amount equal to 40 per centum of the amount by which (A) the amount of indebtedness as of September 1, 1942, or (B) the smallest amount of indebtedness as of the close of any preceding taxable year ending after September 1, 1942, whichever amount is the lesser, exceeds the amount of indebtedness as of the close of the taxable year.'

"(b) Taxable Years to Which Applicable: The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after September 1, 1942.

"(c) Election With Respect to Prior Taxable Years: If by reason of the amendment made by subsection (a) a taxpayer would be entitled, had the election provided for in section 783 (a) of the Internal Revenue Code been duly made, to take any credit under such section with respect to a taxable year ended prior to the date of the enactment of this Act in any amount to which such taxpayer would not be entitled were it not for such amendment, the election of the taxpayer to take such credit in such amount may be made within ninety days after the date of the enactment of this Act."

And the Senate agree to the same.

Amendment numbered 135: That the House recede from its disagreement to the amendment of the Senate numbered 135, and agree to the same with an amendment as follows: Strike out the matter proposed to be stricken out by the Senate amendment and on page 69 of the House bill, in the section column under "3465 (a) (1) (A)", insert "3465 (a) (1) (B) (insofar as it relates to domestic telegraph, cable, and radio dispatches)"; and the Senate agree to the same.

Amendment numbered 144: That the House recede from its disagreement to the amendment of the Senate numbered 144, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "20"; and the Senate agree to the same.

Amendment numbered 148: That the House recede from its disagreement to the amendment of the Senate numbered 148, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "20"; and the Senate agree to the same.

Amendment numbered 180: That the House recede from its disagreement to the amendment of the Senate numbered 180, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"(c) Power of Secretary of Treasury to authorize exemption: Notwithstanding the amendments made by this section, the Secretary of the Treasury may authorize exemption from the taxes imposed by Chapters 19, 29, or 30 of the Internal Revenue Code as to any particular articles or services, or class of articles or services, to be purchased for the exclusive use of the United States, if he determines that the imposition of such taxes with respect to such articles or services, or class of articles or services, will cause substantial burden or expense which can be avoided by granting tax exemption and that the full benefit of such exemption, if granted, will accrue to the United States. This subsection shall not be applicable to any contract entered into on or after the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war."

And the Senate agree to the same.

Amendment numbered 186: That the House recede from its disagreement to the amendment of the Senate numbered 186, and agree to the same with an amendment as follows: On page 66, line 20, of the Senate engrossed amendments, strike out "310" and insert "311"; and the Senate agree to the same.

Amendment numbered 197: That the House recede from its disagreement to the amendment of the Senate numbered 197, and agree to the same with an amendment as follows: Restore the matter proposed to be stricken out by the Senate amendment and on page 92, lines 5 and 6, of the House bill, strike out "comparable corporations" and insert "corporations engaged in the same or a similar line of business"; and the Senate agree to the same.

Amendment numbered 199: That the House recede from its disagreement to the amendment of the Senate numbered 199, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 502. Certain discretionary trusts in connection with gift tax.

"(a) Amendment of the Internal Revenue Code: Section 1000 of the Internal Revenue Code (imposing the gift tax) is amended by inserting at the end thereof the following:

"(e) Certain Discretionary Trusts: In the case of property in a trust created prior to January 1, 1939, if on and after January 1, 1939, no power to revest title to such property in the grantor could be exercised either by the grantor alone, or by the grantor in conjunction with any other person not having a substantial adverse interest in the disposition of such property or the income therefrom, then a relinquishment by the grantor on or after January 1, 1940, and prior to January 1, 1945, of power or control with respect to the distribution of such property or the income therefrom by an exercise or other termination of such power or control shall not be deemed a transfer of property for the purposes of this Chapter. If such property was transferred in trust, the grantor not retaining such power to revest title thereto in himself, or if such power to revest title to such property in the grantor was relinquished, while a law was in effect imposing a tax upon the transfer of property by gift, this subsection shall apply only if (1) gift tax was paid with respect to such transfer or relinquishment, and not credited or refunded, or a gift tax return was made within the time prescribed on account of such transfer or relinquishment but no gift tax was paid with respect to such transfer or relinquishment because of the deductions and exclusions claimed on such return, and (2) the grantor consents, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, for all purposes of this Chapter to treat such transfer or relinquishment in the calendar year in which effected, and for all periods thereafter, as having been a transfer of property subject to tax under this Chapter. This subsection shall not apply to any payment or other disposition of income occurring prior to the termination of power or control with respect to the future disposition of income from the trust property."

"(b) Amendment of Revenue Act of 1932: Section 501 of the Revenue Act of 1932 (imposing a gift tax) is amended by inserting at the end thereof the following:

"'(c) Certain Discretionary Trusts: In the case of property in a trust created prior to January 1, 1939, if on and after January 1, 1939, no power to revest title to such property in the grantor could be exercised either by the grantor alone, or by the grantor in conjunction with any other person not having a substantial adverse interest in the disposition of such property or the income therefrom, then a relinquishment by the grantor on or after January 1, 1939, and prior to January 1, 1940, of power or control with respect to the distribution of such property or the income therefrom by an exercise or other termination of such power or control shall not be deemed a transfer of property for the purposes of this title. If such property was transferred in trust, the grantor not retaining such power to revest title thereto in himself, or if such power to revest title to such property in the grantor was relinquished, while a law was in effect imposing a tax upon the transfer of property by gift, this subsection shall apply only if (1) gift tax was paid with respect to such transfer or relinquishment, and not credited or refunded, or a gift tax return was made within the time prescribed on account of such transfer or relinquishment but no gift tax was paid with respect to such transfer or relinquishment because of the deductions and exclusions claimed on such return, and (2) the grantor consents, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, for all purposes of this title to treat such transfer or relinquishment in the calendar year in which effected, and for all periods thereafter, as having been a transfer of property subject to tax under this title. This subsection shall not apply to any payment or other disposition of income occurring prior to the termination of power or control with respect to the future disposition of income from the trust property.'

"(c) Interest on Overpayments: No interest shall be allowed or paid on any overpayment resulting from the application of this section."

And the Senate agree to the same.

Amendment numbered 202: That the House recede from its disagreement to the amendment of the Senate numbered 202, and agree to the same with an amendment as follows: On page 72, line 17, of the Senate engrossed amendments, strike out "503" and insert "504"; and the Senate agree to the same.

Amendment numbered 203: That the House recede from its disagreement to the amendment of the Senate numbered 203, and agree to the same with an amendment as follows: On page 73, line 2, of the Senate engrossed amendments, strike out "504" and insert "505"; and the Senate agree to the same.

Amendment numbered 204: That the House recede from its disagreement to the amendment of the Senate numbered 204, and agree to the same with an amendment as follows: On page 73, line 16, of the Senate engrossed amendments, strike out "505" and insert "506"; and the Senate agree to the same.

Amendment numbered 205: That the House recede from its disagreement to the amendment of the Senate numbered 205, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 507. Importation of standard newsprint paper.

"(a) In General: For the purposes of paragraph 1772 of the Tariff Act of 1930, as amended—

"(1) Paper which is in rolls not less than 15 inches in width shall be deemed to be standard newsprint paper insofar as width of rolls is concerned; and

"(2) Paper which weighs not less than 30 pounds (with a 5 per centum manufacturing tolerance permitted) per ream of 500 sheets 24 by 36 inches shall be deemed to be standard newsprint paper insofar as minimum weight is concerned.

"(b) Effective Period: The provisions of subsection (a) shall apply with respect to paper entered, or withdrawn from warehouse, for consumption, after the date of the enactment of this Act and while United States newspaper publishers are limited by law or by governmental order or regulation as to the amount of paper they may use in the publication of their newspapers."

And the Senate agree to the same.

Amendment numbered 206: That the House recede from its disagreement to the amendment of the Senate numbered 206, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 508. Exemption from tax on playing cards exported for use of armed forces outside continental United States.

"(a) In General: Section 1830 (relating to the exemption from the tax upon playing cards exported) is amended to read as follows:

"'SEC. 1830. Exemption in case of exportation.

"'Playing cards may be removed from the place of manufacture for export to a foreign country or for shipment to a possession of the United States (or, until the date on which the President proclaims that hostilities in the present war have terminated, to a territory of the United States for the use of members of the military or naval forces of the United States) without payment of tax, or affixing stamps thereto, under such rules and regulations and the filing of such bonds as the Commissioner, with the approval of the Secretary, may prescribe.'

"(b) Effective Date: The amendment made by subsection (a) shall be effective as of January 1, 1942."

And the Senate agree to the same.

Amendment numbered 207: That the House recede from its disagreement to the amendment of the Senate numbered 207, and

agree to the same with an amendment as follows: Omit the matter proposed to be inserted by the Senate amendment and, on page 27 of the House bill, after line 3, insert the following:

"SEC. 112. Deduction for losses on securities in affiliated corporations.

"(a) Stock Losses: Section 23 (g) (4) (B) of the Internal Revenue Code (relating to losses on stock of affiliated corporations) is amended to read as follows:

"'(B) more than 90 per centum of the aggregate of its gross incomes for all taxable years has been from sources other than royalties, rents (except rents derived from rental of properties to employees of the company in the ordinary course of its operating business), dividends, interest (except interest received on deferred purchase price of operating assets sold), annuities, or gains from sales or exchanges of stocks and securities; and'

"(b) Bond Losses: Section 23 (k) (5) (B) of the Internal Revenue Code (relating to losses on securities of affiliated corporations) is amended to read as follows:

"'(B) more than 90 per centum of the aggregate of its gross incomes for all taxable years has been from sources other than royalties, rents (except rents derived from rental of properties to employees of the company in the ordinary course of its operating business), dividends, interest (except interest received on deferred purchase price of operating assets sold), annuities, or gains from sales or exchanges of stocks and securities; and'

"(c) Taxable Years to Which Applicable: The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1941."

And the Senate agree to the same.

Amendment numbered 208: That the House recede from its disagreement to the amendment of the Senate numbered 208, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 509. Retroactive effect of section 169 of the Revenue Act of 1942.

"(a) In General: Section 169 (c) of the Revenue Act of 1942 (relating to the effective date of certain amendments to section 322) is amended by inserting at the end thereof the following: 'A provision having the effect of the amendment inserting section 322 (b) (3) of the Internal Revenue Code, and a provision having the effect of the amendment made by subsection (b) of this section, shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1923, but such amendments shall be effective with respect to taxable years beginning prior to January 1, 1942, only if on or at some time after the date of the enactment of the Revenue Act of 1943 the Commissioner may assess the tax for such taxable year solely by reason of having made (either before, on, or after the date of the enactment of the Revenue Act of 1943) an agreement with the taxpayer pursuant to section 276 (b) of the Internal Revenue Code or the corresponding provision of the applicable prior revenue law to extend beyond the time prescribed in section 275 or the corresponding provision of such prior revenue law the date within which the Commissioner may assess the tax.'

"(b) Certain Transferees: If a transferee of a taxpayer and the Commissioner executed an agreement to extend the time within which the liability with respect to the tax of the taxpayer for a taxable year beginning in 1936 might be assessed against such transferee, any overpayment of the tax of the taxpayer with respect to such taxable year which the Tax Court of the United States finds has been paid by such transferee shall, when the decision of the Tax Court of the United States has become final, be credited or refunded to such transferee. Such credit or refund shall not exceed the amount paid by the transferee with respect to the tax of the taxpayer for such taxable year within the four years immediately preceding the execution of such agreement."

And the Senate agree to the same.

Amendment numbered 212: That the House recede from its disagreement to the amendment of the Senate numbered 212, and agree to the same with amendments as follows: On page 81 of the Senate engrossed amendments, in line 2, strike out "513" and insert "512"; in line 3, after "(a)", insert "In General.—"; and in line 8, after "(b)", insert "Effective Date.—"; and the Senate agree to the same.

Amendment numbered 213: That the House recede from its disagreement to the amendment of the Senate numbered 213, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"SEC. 513. Period of limitations in case of related taxes under chapter 1 and chapter 2.

"(a) In General: The Internal Revenue Code is amended by inserting at the end of chapter 38 a new section to read as follows:

"'SEC. 3807. Period of limitations in case of related taxes under chapter 1 and chapter 2.

"'(a) Definitions: As used in this section—

"'(1) The term "tax previously determined" shall have the meaning assigned to such term by section 3801 (d).

"'(2) The term "the same taxable year" shall include any taxable year which coincides in whole or in part with the taxable year for which the determination referred to in subsection (b) is made.

"'(b) Extension of Period of Limitations: If—

"'(1) under a determination in respect of a tax imposed by chapter 1 or chapter 2, a deficiency is assessed or a credit or refund of an overpayment is allowed, within the period of limitations properly applicable thereto, and

"'(2) the application of the law or facts determined in the ascertainment of such deficiency or overpayment to any other such tax of the taxpayer under chapter 1 or chapter 2 for the same taxable year would result in an increase or decrease in the amount of the tax previously determined in respect of such other tax, and

"'(3) on any date prior to the expiration of one year from the assessment of a deficiency or the allowance of a credit or refund in respect of the tax referred to in paragraph (1), the assessment of a deficiency or the allowance of a credit or refund in respect of the tax referred to in paragraph (2) is prevented (except for the provisions of section 3801 or 734) by the operation (whether before, on, or after the date of enactment of the Revenue Act of 1943) of any law or rule of law other than this section and other than section 3761 (relating to compromises)

then upon such date the increase or decrease in the tax referred to in paragraph (2) shall be considered a deficiency or an overpayment, as the case may be. Such deficiency may be assessed and collected or such overpayment may be credited or refunded as if on the date the deficiency is assessed or the credit or refund allowed in respect of the tax referred to in paragraph (1) one year remained before the expiration of the periods of limitation upon assessment or filing claim for refund in respect of the tax referred to in paragraph (2) for the same taxable year.

"'(c) Adjustment Unaffected by Other Items, Etc.: In determining whether an increase or decrease in the amount of the tax previously determined shall be considered to result from the application of the law or facts under a determination referred to in subsection (b) (1) changes shall be made in items which are the subject of such determination and in items which are affected thereby, and in no others. The amount which may be assessed or allowed as a credit or refund under subsection (b) shall not be diminished by any credit or set-off based upon any item which was not the subject of such determination or affected thereby. Such amount, if paid, shall not be recovered by a claim or suit for refund or suit for erroneous refund based upon any item which was not the subject of such determination or affected thereby, except in connection with a subsequent application of this section.

"'(d) Application to Affiliated Groups: As used in subsection (b) the term "any other such tax of the taxpayer" shall, if the taxpayer was a member of an affiliated group, also include any other such tax of any other member of the group.'

"(b) Taxable Years to Which Applicable: The amendment made by this section shall apply to taxable years beginning after December 31, 1939."

And the Senate agree to the same.

Amendment numbered 232: That the House recede from its disagreement to the amendment of the Senate numbered 232, and agree to the same with an amendment as follows:

On page 86, line 20, of the Senate engrossed amendments, strike out "and in the case of carry-overs and carry-backs".

On page 104 of the House bill, after the period in line 11, insert:

"'(C) Notwithstanding any of the provisions of this section to the contrary, no amount shall be allowed as an item of cost (i) by reason of a recomputation of the amortization deduction pursuant to section 124 (d) of the Internal Revenue Code until after such recomputation has been made in connection with a determination of the taxes imposed by Chapters 1, 2A, 2B, 2D, and 2E of the Internal Revenue Code for the fiscal year to which the excessive profits determined by the renegotiation are attributable or (ii) by reason of the application of a carry-over or carry-back under any circumstances. The absence of such a recomputation of the amortization deductions referred to in clause (i) above shall not constitute a cause for postponing the making of an agreement, or the entry of an order, determining the amount of excessive profits, or for staying the elimination thereof.

"'(D) Notwithstanding any of the provisions of subsection (o) (4) of this section to the contrary, in the case of a renegotiation which is made prior to such recomputation, there shall be repaid by the United States (without interest) to the contractor or subcontractor after such recomputation the amount of a net renegotiation rebate computed in the following described manner. There shall first be ascertained the portion of the excessive profits determined by the renegotiation which is attributable to the fiscal year with respect to which a net renegotiation rebate is claimed by the contractor or subcontractor (hereinafter referred to as "renegotiated year"). There shall then be ascertained the amount of the gross renegotiation rebate for the renegotiated year, which amount shall be an allocable part of the additional amortization deduction which is allowed for the renegotiated year upon the recomputation made pursuant to section 124 (d) of the Internal Revenue Code in connection with the determination of the taxes for such year and which is attributable to contracts with the Departments and subcontracts, except that the amount of the gross renegotiation rebate shall not exceed the amount of excessive profits eliminated for the renegotiated year pursuant to the renegotiation. The allocation of the additional amortization deduction attributable to contracts with the Departments and subcontracts, and the allocation of the additional amortization deduction to the renegotiated year shall be determined in accordance with regulations prescribed by the Board.

There shall then be ascertained the amount of the contractor's or subcontractor's Federal tax benefit from the renegotiation for the renegotiated year. Such Federal tax benefit shall be the amount by which the taxes for the renegotiated year under Chapters 1, 2A, 2B, 2D, and 2E of the Internal Revenue Code were decreased by reason of omitting from gross income (or by reason of the application of the provisions of section 3806 (a) of the Internal Revenue Code with respect to) that portion of the excessive profits for the renegotiated year which is equal to the amount of the gross renegotiation rebate. The amount by which the gross renegotiation rebate for the renegotiated year exceeds the amount of the contractor's or subcontractor's Federal tax benefit from the renegotiation for such year shall be the amount of the net renegotiation rebate for such year."

And the Senate agree to the same.

Amendment numbered 233: That the House recede from its disagreement to the amendment of the Senate numbered 233, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"'(5) The term "subcontract" means—

"'(A) Any purchase order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of any other contract or subcontract, but such term does not include any purchase order or agreement to furnish office supplies; or"

And the Senate agree to the same.

Amendment numbered 249: That the House recede from its disagreement to the amendment of the Senate numbered 249, and agree to the same with amendments as follows:

On page 110 of the House bill, after the period in line 1, insert the following: "Any such agreement, if made, may, with the consent of the contractor or subcontractor, also include provisions with respect to the elimination of excessive profits likely to be received or accrued.";

On page 110, line 2, of the House bill strike out "such an agreement" and insert "an agreement with respect to the elimination of excessive profits received or accrued"; and the Senate agree to the same.

Amendment numbered 252: That the House recede from its disagreement to the amendment of the Senate numbered 252, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "in The Tax Court of the United States as proof of the facts or conclusions stated therein"; and the Senate agree to the same.

Amendment numbered 260: That the House recede from its disagreement to the amendment of the Senate numbered 260, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "in respect of amounts paid to the contractor from appropriations from the Treasury"; and the Senate agree to the same.

Amendment numbered 268: That the House recede from its disagreement to the amendment of the Senate numbered 268, and agree to the same with amendments as follows:

On page 90, line 19, of the Senate engrossed amendments, after "year", insert "(or if such fiscal year has closed on the date of the enactment of the Revenue Act of 1943, on or before the first day of the fourth month following the month in which such date of enactment falls)";

On page 90 of the Senate engrossed amendments, beginning in line 20, strike out "actual costs of production and such other information as the Board may by regulations prescribe" and insert "such information as the Board may by regulations prescribe as necessary to carry out this section";

On page 91 of the Senate engrossed amendments, beginning in line 4, strike out "required by the Board" and insert "which is determined by the Board to be necessary to carry out this section"; and the Senate agree to the same.

Amendment numbered 282: That the House recede from its disagreement to the amendment of the Senate numbered 282, and agree to the same with an amendment as follows: Omit the matter proposed to be inserted by the Senate amendment, restore the matter proposed to be stricken out by the Senate amendment, and on page 120, lines 23 and 24, of the House bill, strike out "and (b)"; and the Senate agree to the same.

Amendment numbered 290: That the House recede from its disagreement to the amendment of the Senate numbered 290, and agree to the same with an amendment as follows: Strike out the matter appearing in lines 22 and 23 on page 94 of the Senate engrossed amendments, and the matter appearing in lines 1 and 2 on page 95 of the Senate engrossed amendments, and insert:

"shall be—

"'(A) in the case of any contract or subcontract the performance of which requires more than twelve months, or in the case of any contract or subcontract with respect to which the powers of the Board are exercised separately pursuant to subsection (c) (1) rather than on a fiscal-year basis, the portion of the profits so derived which is determined by the Board to be equal to the same percentage of the total profits so derived as the percentage of completion of the contract prior to the termination date; and

"'(B) in all other cases, the profits so derived which are received or accrued prior to the termination date; and'"

And the Senate agree to the same.

Amendment numbered 295: That the House recede from its disagreement to the amendment of the Senate numbered 295, and agree to the same with an amendment as follows: On page 96, line 17, of the Senate engrossed amendments, strike out "(F)" and insert "(E)"; and the Senate agree to the same.

Amendment numbered 296: That the House recede from its disagreement to the amendment of the Senate numbered 296, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "(F)"; and the Senate agree to the same.

Amendment numbered 299: That the House recede from its disagreement to the amendment of the Senate numbered 299, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "(E), and (F)"; and the Senate agree to the same.

Amendment numbered 301: That the House recede from its disagreement to the amendment of the Senate numbered 301, and agree to the same with an amendment as follows: On page 126 of the House bill, after the period in line 23, insert "Notwithstanding any other provisions of this section there shall be excluded from consideration in determining whether or not a contractor or subcontractor has received or accrued excessive profits that portion of the profits, derived from contracts with the Departments and subcontracts, attributable to the increment in value of the excess inventory. For the purposes of this paragraph the term 'excess inventory' means inventory of products, hereinbefore described in this paragraph, acquired by the contractor or subcontractor in the form or at the state in which contracts for such products on hand and on contract would be exempted from this section by subsection (1) (1) (B) or (C), which is in excess of the inventory reasonably necessary to fulfill existing contracts or orders. That portion of the profits, derived from contracts with the Departments and subcontracts, attributable to the increment in value of the excess inventory, and the method of excluding such portion of profits from consideration in determining whether or not the contractor or subcontractor has received or accrued excessive profits, shall be determined in accordance with regulations prescribed by the Board. In the case of a renegotiation with respect to a fiscal year ending prior to July 1, 1943, the portion of the profits, derived from contracts with the Departments and subcontracts, attributable to the increment in value of the excess inventory shall (to the extent such portion does not exceed the excessive profits determined) be credited or refunded to the contractor or subcontractor, and in case the determination of excessive profits was made prior to the date of the enactment of the Revenue Act of 1943, such credit or refund shall be made notwithstanding such determination is embodied in an agreement with the contractor or subcontractor, but in either case such credit or refund shall be made only if the contractor or subcontractor, within ninety days after the date of the enactment of the Revenue Act of 1943, files a claim therefor with the Secretary concerned."

And the Senate agree to the same.

Amendment numbered 309: That the House recede from its disagreement to the amendment of the Senate numbered 309, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "The amendments made by subsection (b) shall be effective only with respect to the fiscal years ending after June 30, 1943, except that (1) the amendments inserting subsections (a) (4) (C), (a) (4) (D), (1) (1) (C), (1) (1) (D), (1) (1) (F), (1) (3), and (1) in section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, shall be effective as if such amendments and subsections had been a part of section 403 of such Act on the date of its enactment, and (2) the amendments adding subsection (d) and (e) (2) to section 403 of such Act shall be effective from the date of the enactment of this Act."

And the Senate agree to the same.

Amendment numbered 310: That the House recede from its disagreement to the amendment of the Senate numbered 310, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"TITLE VIII—REPRICING OF WAR CONTRACTS

"SEC. 801. Repricing of war contracts.

"(a) As used in this section the terms 'Department', 'Secretary' and 'article' shall have the same meanings as in subsection (a) of the Renegotiation Act.

"(b) When the Secretary of a Department deems that the price of any article or service of any kind, which is required by his Department or directly or indirectly required, furnished, or offered in connection with, or as a part of, the performance or procurement of any contract with his Department or of any subcontract thereunder, is unreasonable or unfair, the Secretary may require the person furnishing or offering to furnish such article or service to negotiate to fix a fair and reasonable price therefor. If such person refuses to agree to a price for such article or service which the Secretary considers fair and reasonable. the Secretary by order may fix the price payable to such person for furnishing such article or service after the effective date of the order, whether under existing agreements or otherwise. The order may prescribe the period during which the price so fixed shall be effective and such other terms and conditions as the Secretary deems appropriate.

"(c) Any person aggrieved by an order fixing a price under this section may sue the United States in any appropriate court. In such suit, such person shall be entitled to recover from the United States the amount of any difference between (1) fair and just compensation for the articles and services furnished under the terms of the order and

(2) the price fixed for such articles and services by the order; but if the prices so fixed by the order are found to exceed fair and just compensation for such articles and services, such person shall be liable to the United States in such suit for the amount of this excess. Any such suit shall be brought within six months after the order by the Secretary on which it is based, or after the expiration of the period or periods specified in such order, whichever last occurs. Such a suit shall not stay the order involved.

"(d) Whenever any person wilfully refuses or wilfully fails to furnish any such articles or services at the price fixed by an order of the Secretary in accordance with this section, the President shall have power to take immediate possession of the plant or plants of such person and to operate them in accordance with section 9 of the Selective Training and Service Act of 1940, as amended.

"(e) The authority and discretion herein conferred upon the Secretary of each Department may be delegated in whole or in part by him to such individuals or agencies as he may designate in his Department, or in any other Department with the consent of the Secretary of that Department, and he may authorize such individuals or agencies to make further delegations of such authority and discretion.

"(f) Every purchase order or agreement, or contract to make or furnish any article or service of any kind, which is required by a Department or directly or indirectly required, furnished, or offered in connection with, or as a part of, the performance or procurement of any contract with such Department or of any subcontract thereunder, shall, if made thirty days or more after the date of the enactment of this Act, be deemed to contain a provision under which the person making or furnishing such article or service agrees that notwithstanding other provisions of the purchase order, agreement, or contract, he shall be entitled to receive for such article or service only the fair and just compensation provided for in subsection (c).

"SEC. 802. Effective date.

"(a) Section 801 shall be effective from the date of the enactment of this Act.

"(b) Section 801 shall not apply to any contract with a Department or any subcontract made after the date proclaimed by the President as the date of the termination of hostilities in the present war or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier."

And the Senate agree to the same.

Amendment numbered 311: That the House recede from its disagreement to the amendment of the Senate numbered 311, and agree to the same with amendments as follows:

On page 105 of the Senate engrossed amendments, line 20, strike out "SEC. 902." and between lines 19 and 20 insert "SEC. 902. Appropriations to the trust fund."

Beginning in line 23, on page 105 of the Senate engrossed amendments, strike out "trust fund" and insert "Trust Fund"; and the Senate agree to the same.

R. L. DOUGHTON,
THOS. H. CULLEN,
JERE COOPER,
WESLEY E. DISNEY,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
Managers on the part of the House.

WALTER F. GEORGE,
DAVID I. WALSH,
ALBEN W. BARKLEY,
TOM CONNALLY,
ROBERT M. LA FOLLETTE,
A. H. VANDENBERG,
JAMES J. DAVIS,
Managers on the part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3687) to provide revenue, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

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Amendment No. 311: This amendment adds sections 901 and 902 to the House bill.

Section 901 postpones the increase in the rates of the taxes imposed by the Federal Insurance Contributions Act by providing that in the case of each such tax the 1-percent rate shall remain in force through the calendar year 1944, and that the 2-percent rate shall apply to wages paid and received during the calendar year 1945.

Section 902 amends section 201 (a) of title II of the Social Security Act, as amended. The existing section 201 (a) creates the Federal Old-Age and Survivors Insurance Trust Fund and provides that the fund shall, in addition to other items, consist of such amounts as may be appropriated to the trust fund. Amounts equivalent to 100 percent of the taxes (including interest, penalties, and additions to the taxes) received under the Federal Insurance Contributions Act are, under existing law, permanently appropriated to the trust fund. The amendment to section 201 (a) authorizes appropriations to the trust fund of such additional sums as may be required to finance the benefits and payments provided under title II of the Social Security Act, as amended.

The House recedes with clerical amendments.

R. L. DOUGHTON,
THOS. H. CULLEN,
JERE COOPER,
WESLEY E. DISNEY,
HAROLD KNUTSON,
DANIEL A. REED,
ROY O. WOODRUFF,
Managers on the part of the House.

Mr. DOUGHTON (interrupting the reading). Mr. Speaker, I ask unanimous consent that the further reading of the statement be dispensed with.

The SPEAKER. Is there objection?

Mr. DISNEY. Mr. Speaker, reserving the right to object, in that connection I call attention to page 86 of the conference report, line 10, wherein it states "the Senate recedes." That is a clerical error, a printing error. It should be "the *House recedes.*"

The SPEAKER. Is there objection to the request of the gentleman from North Carolina that the further reading be dispensed with?

There was no objection.

Mr. DOUGHTON. Mr. Speaker, the bill before us yields about $2,300,000,000 of additional revenue, about five hundred million plus of that from increase in corporate taxes, about six hundred million from an increase in individual income taxes, and about $1,000,000,000 increase in excise taxes, with $100,000,000 increase in postal rates.

In general the Senate was in agreement with the main provisions of the House bill. The Senate was in agreement that at this time there should not be any increase in the rate on individual incomes, and substantially the same so far as rates on corporate incomes were concerned. I do not know that I care to make any general statement in explanation of the bill unless some Member desires to ask me some questions.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. I am sure the distinguished chairman of the Committee on Ways and Means would want to point out that there are no amendments reported in disagreement. It is a complete conference report. It is printed, and it is available to all Members.

Mr. DOUGHTON. That is correct. I thank the gentleman for his contribution. It is a unanimous conference report.

Mr. HARNESS of Indiana. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. HARNESS of Indiana. Mr. Speaker, I propound this question to the gentleman from Tennessee [Mr. COOPER]. You say the conference report is available to all Members. Are there any Members of the House who can understand it?

Mr. COOPER. Mr. Speaker, the statement of the managers on the part of the House is a clear statement of explanation. It is a simple narrative of what is in the report.

Mr. HARNESS of Indiana. We can understand the narrative if the gentleman on the committee can, but can we understand the effect of this on the general revenue laws and tax laws?

Mr. COOPER. I might say to the gentleman I have served on many conferences. I think it is a fair statement to say that a Member would experience about as little difficulty understanding the subject matter embraced in this conference report as any I have ever known.

Mr. DOUGHTON. Mr. Speaker, the tax laws are necessarily so technical in the way they are drafted and the language is necessarily so technical.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. JENKINS. I wish to confirm what the distinguished gentleman from Indiana says, that these reports and the conference reports are really terrifying when one starts to look at them, especially in the CONGRESSIONAL RECORD. I confess when I first saw this report and started to work it out it was so overwhelming that I abandoned it. Since I have gotten this new report I can say for the benefit of the gentleman from Indiana that the only key for the solution of this is if he will get H. R. 3687 and read these together. You will find all along there the amendments numbered, and that is a great help. If you have the longevity to stand it for about 3 or 4 hours you can work through this thing. It will never be easy because it is a very complicated subject.

Mr. DOUGHTON. I thank the gentleman for his contribution. I think if one would take the statement and read it carefully he will find that it is a comprehensive explanation of what is contained in the bill as agreed to by the conferees.

Mr. MARTIN of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the distinguished minority leader.

Mr. MARTIN of Massachusetts. I would like to ask the distinguished chairman of the Committee on Ways and Means the following question: I understand this renegotiation feature of the report is a compromise. If it is a compromise I would like to ask if that is agreeable to the Army and to the administration in general.

Mr. KNUTSON. Mr. Speaker, will the chairman yield?

Mr. DOUGHTON. I yield.

Mr. KNUTSON. I think the Army and Navy are about the only people who are satisfied. Certainly, we are not satisfied. But we think that next year, when we are in control of the House, we will fix things up.

Mr. DOUGHTON. Mr. Speaker, I will state to the gentleman from Massachusetts that the report of the conferees is, on the whole, agreeable to the Army and Navy and Procurement Division, those that are primarily interested in handling renegotiation.

Mr. MARTIN of Massachusetts. And it is the attitude of the administration in general?

Mr. DOUGHTON. As the report says, those who appeared representing the War Department, and the Navy Department, and other departments, expressed their approval and appreciation of the work done in the House bill. As I have heard no complaint from them so far as the report of the conferees is concerned, it is my understanding, though I cannot speak definitely and specifically, they are satisfied with the action agreed upon by the two Houses.

Mr. MARTIN of Massachusetts. Mr. Speaker, I would like to ask the gentleman one more question.

Mr. DOUGHTON. I yield.

Mr. MARTIN of Massachusetts. It is not concerning this question of renegotiation, but if it embarrasses him I would not feel too badly if he does not answer. I would like to inquire if the gentleman knows there is a great deal of interest in the country about the simplification of the tax-return forms. Do I understand that the committee is planning, at an early date, to do something about that?

Mr. DOUGHTON. Yes, sir. You may understand, and I would like for the House and the country to understand that there has been considerable discussion of that matter among the members of the Committee on Ways and Means, and we are fully aware of the dissatisfaction throughout the country, much of it justified, as to the difficulty of making out income-tax returns. It is understood it is going to be the next principal work of our committee. We expect to get to that in a few days. I am hoping to confer with the chairman of the Senate Finance Committee and see if we can agree on a procedure and how we can do the best job in the shortest time with respect to simplification of the income-tax return. We are going to get to that as early as we can and do the very best job possible.

Mr. MARTIN of Massachusetts. I thank the gentleman. I know the committee will be anxious to do its full part. I was wondering if they were getting any cooperation from the Tax Division of the Treasury in that respect.

Mr. DOUGHTON. We are hopeful of getting cooperation from not only the Treasury but the Bureau of Internal Revenue, which actually administers the law and is confronted with the daily problems of the taxpayer. In this connection the Revenue Act of 1942 gives our Joint Committee on Internal Revenue Taxation authority to secure information directly from the Bureau.

As far as the negotiation provision of the conference report is concerned, it is my purpose to yield to the gentleman from Oklahoma [Mr. DISNEY], who is chairman of the subcommittee that made a special investigation and studied this matter and whose subcommittee made a very complete report on the subject. He would be in a position to explain, perhaps, all of the provisions of the bill relating to renegotiation better than myself. It is my purpose to yield to him a little later on this morning.

Mr. IZAC. Mr. Speaker, will the gentleman yield at this point?

Mr. DOUGHTON. I yield.

Mr. IZAC. Mr. Speaker, I have asked the chairman of the conferees to give me 5 minutes so I might take the opposition regarding the renegotiation features of this bill. Does the gentleman feel he will be able to give me that 5 minutes?

Mr. DOUGHTON. I hope to be able to do so. Perhaps, if we do not have enough time, we can get the time extended. It is not the purpose of the chairman to shut off any legitimate inquiry or discussion of this very important matter.

Mr. DINGELL. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Michigan, a member of the committee.

Mr. DINGELL. Mr. Speaker, I would like to state now for the record that, of course, I am disappointed in the fact that on the Senate side, as usual, there originated another freeze of the social-security taxes. But I am mindful of the fact that so far as the Senate and House conferees are concerned there was perhaps nothing that could be done about it.

The bill provides a gross of about two and a quarter billion dollars of additional revenue. But unfortunately the subtraction of $1,400,000,000 in social-security taxes, reduces the net that the country will be called upon to pay to about $825,000,000. Sooner or later, Mr. Speaker, I think we are going to have to get to a point where we are going to have to build up this social-security reserve fund rather than to make attempts repeatedly to freeze what we, after due deliberation, have provided for its maintenance and expansion.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. I think it is only fair to call the attention of the House to the fact that there is a provision included in this bill providing that funds may be paid out of the General Treasury of the United States for this social-security purpose.

Mr. DINGELL. I want to make it clear that I am not criticizing the conference committee, because I think they have done, especially the Members of the House, the very best they could under the circumstances. But I do feel rather keenly about the action of the Senate in freezing the $1,400,000,000 of additional revenue which should have gone into the fund and which would have started pouring in January 1 if they had not taken such action.

Sooner or later we are going to have to make a direct appropriation to bolster the reserve fund and that because of these repeated freezes which weaken the entire plan.

Mr. COOPER. Of course, it has always been understood that this social-security fund should be kept self-sustaining. It was not contemplated that money would have to be taken out of the General Treasury of the United States to pay these benefits. But this provision, put in this bill in the other body, now provides for taking money out of the General Treasury of the United States to pay these benefits.

Mr. LUDLOW. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. LUDLOW. Do I understand that this conference report, in respect to postage rates, retains all of the House increases except the increase on third-class postage, which was thrown out?

Mr. DOUGHTON. That is correct.

Mr. LUDLOW. What did the committee do with reference to air mail? Did it increase the postage rate on air mail?

Mr. DOUGHTON. That was approved as the House passed it.

Mr. LUDLOW. Increased it 2 cents?

Mr. DOUGHTON. From 6 cents to 8 cents. Yes. All increases except the increase on third-class mail were agreed to just as the bill passed the House.

Mr. LUDLOW. I would like to ask the distinguished chairman this question. The Post Office Department tells me that on the basis of cost ascertainment they are prepared to submit a schedule of revised postal rates as a basis for legislation. I wonder if that was considered by the conference committee on the gentleman's bill, as to the advisability of leaving out the postal rates from the tax bill and having it decided on the basis of actual cost ascertainment by the Post Office Department.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the distinguished gentleman from Tennessee.

Mr. COOPER. As far as this conference report is concerned, there was only one item in conference, and that was the third-class mail. All of the other provisions of the House bill with reference to postage rates were adopted by the Senate, so that they were not in conference. The only thing in conference was this provision with respect to third-class mail and that was eliminated in conference.

Mr. LUDLOW. I would like to say that I appreciate the limitations of the jurisdiction of the conference committee, but I would like to ask the distinguished gentleman from Tennessee [Mr. COOPER] because I know his wisdom in these matters, Would it not be better to allow an adjustment of postage rates to be made on the basis of cost ascertainment by the Post Office Department, rather than to use it merely as a vehicle to go out and get some revenue? I have great respect for the Ways and Means Committee but I do not believe that a tax bill should be used as a vehicle for making changes in postage rates. I think that postage rates should originate in the Post Office Department, taking into consideration postal factors and not revenue requirements.

Mr. DOUGHTON. I would say to the distinguished gentleman from Indiana, we have waited a long time for the Committee on the Post Office and Post Roads to bring in a recommendation of that kind. It has been a subject before our committee on every tax bill we have had before us. It has been postponed and postponed. I am informed by the distinguished chairman of the Committee on the Post Office and Post Roads that they will be able to make a report on that soon.

Mr. LUDLOW. Indeed, it is a big task; but they have at last reached the point where they are ready to report.

Mr. DOUGHTON. We are thankful for that.

Mr. KNUTSON. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. KNUTSON. The answer to the question of the gentleman from Indiana is that we have not closed the doors to the Committee on Post Offices and Post Roads to give further consideration to postal rates. They can take them up tomorrow if they want to bring in an entirely new set of rates. We have waited for them for 20 years to do something. They have not done anything as yet, so we took the bull by the horns and decided to do something about it ourselves.

Mr. DOUGHTON. We made a start, anyway.

Mr. CARLSON of Kansas. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the distinguished gentleman from Kansas.

Mr. CARLSON of Kansas. I just want to discuss for a minute this section 902. That is the section which the gentleman from Tennessee [Mr. COOPER] and the gentleman from Michigan [Mr. DINGELL] mentioned, which really rewrites a very important section on our social-security program. We definitely state in this bill that if and when the revenues received from the taxation of employer and employees does not suffice for payments the Federal Treasury will take care of them. To me that is an important step that I would not agree to if it were not for the fact that this is in a conference report. I think it is a dangerous step to take to have a social-security program that does not cover all the people of the Nation. We have millions who cannot qualify; and now you say in this language "if and when it becomes necessary we will take the money out of the Federal Treasury." I think we should go slow in taking a step of that kind.

Mr. DOUGHTON. In my opinion that "if and when" is very far away. I believe the fund is perfectly sound now. There is nothing to worry about because after the Senate adopted an amendment to our bill freezing the social-security tax, we conducted hearings on that phase of the bill. To my mind, if anyone will read the hearings and all the evidence contained in the hearings, I do not think they need lose any sleep or have the slightest uneasiness or fears with regard to what we have done in connection with this provision of the Social Security Act. There is not the remotest danger, because the payments have been much less and the receipts have been much greater than expected, and it is now more than three times what was estimated in order to keep the system sound. The tax is only frozen for the remainder of this year and I do not have the slightest apprehension that there is any danger of endangering the soundness of the fund.

Mr. CARLSON of Kansas. I think it is on sound ground now, but we are setting a precedent for some folks in this Nation to say, "Let us let the Federal Government share the contribution in the program that was supposed to be supported by employers and employees." I think we are opening the gates.

Mr. DOUGHTON. There is no one more opposed to that than the chairman of the Committee on Ways and Means, but at the same time, based upon the computations of the actuaries and those who are supposed to know, the fund is three times as large as they said was necessary. As long as the fund is larger, and at the same time the payments much less, I cannot see why any sleep should be lost about the soundness of the system.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. I think the important thing to bear in mind, as the gentleman from Kansas [Mr. CARLSON] has well pointed out, is the fact that Congress today is going on record in passing a law providing that these benefits for social security shall be paid out of the general funds of the Treasury. That is the provision in this bill.

Mr. KNUTSON. Oh, no, no.

Mr. COOPER. It provides in this bill that if and when——

Mr. KNUTSON. That certainly is not the intention.

Mr. COOPER. It provides in this bill that if and when the revenue from this tax is not sufficient to pay these benefits, they shall be paid out of the general funds of the Treasury. That means the Congress is now enacting a law providing for the payment of social security benefits out of the general funds of the Treasury.

Mr. DOUGHTON. I would remind the gentleman that that was in the original act. That is nothing new, as far as what we have done in this bill is concerned. That is only a second safeguard, in order that we may be assured that in case the fund should not be adequate, then, of course, they will appropriate money out of the general funds of the Treasury, as the law provides these payments must be made. However I have not the slightest fear that such a contingency will arise.

Mr. DINGELL. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. DINGELL. Of course, I believe the conferees have done the best thing they could under the circumstances.

Mr. DOUGHTON. I thank the gentleman.

Mr. DINGELL. The error of the action as charged here has been taken on the Senate side, and this is true, that when the original Social Security Act was drawn, when we acted on it we calculated the needs of the fund, not for the day, not for 5 years in advance, but if I recall, the increase anticipated in the load was so great in the year 1965, and thereafter that we faced bankruptcy of the fund if we were not provident and careful. We have no American-experience mortality table as a guide upon which we can calculate what the future demands will be upon the fund, as we have in life insurance. So the safety margin was made great purposely. There is no rhyme or reason why the Senate, or any individual Senator should repeatedly propose freezing this social security tax. And that is what I object to. The conferees have pledged the faith and credit of the Treasury of the United States in the event of impairment of the fund, and that is to be said to their everlasting credit, they put in a prop, a safety provision in lieu of the tax but it is a substitute. I still disagree with the idea of constantly coming back and doing that which we in our wisdom thought was not the proper and sound thing to do at the time the Social Security Act was enacted.

Mr. COOPER. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. It should be clearly understood that this provision to which the gentleman from Kansas [Mr. CARLSON] has properly called attention, because the House should understand it, was not a part of Senator VANDENBERG'S amendment.

The amendment simply froze the tax for the remaining 10 months of this year.

This provision providing for payment of benefits out of the general fund of the Treasury was placed in the bill by an amendment offered on the floor of the Senate. It was not a part of Senator VANDENBERG'S well-thought-out and well-considered amendment to which the Senate Finance Committee and the House Committee on Ways and Means have both given consideration; this provision relating to providing for the payment of benefits out of the general fund of the Treasury was an amendment put in the bill on the floor of the Senate. This should be clearly understood.

Mr. FITZPATRICK. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. FITZPATRICK. About a year ago I introduced a bill to put second-, third-, and fourth-class-mail matter on a paying basis. As it is the taxpayers of the country give a subsidy to users of these three classes of mail of $130,000,000 a year. No action has yet been taken on that bill, yet it would save the taxpayers a great deal of money and take off of their shoulders the load of this second-, third-, and fourth-class special rates they are now supporting.

Mr. MARCANTONIO. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. MARCANTONIO. What is the estimated loss to the social-security fund by this freezing?

Mr. DOUGHTON. One billion and four hundred million dollars for the full year.

Mr. HARNESS of Indiana. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. HARNESS of Indiana. I should like to find out what provision of this conference report relieves the individual taxpayer from that indefensible penalty that is in existing law whereby if he underestimates his income or overestimates it 20 percent he must pay a penalty.

Mr. DOUGHTON. We have cured that to a great extent because we have inserted a provision to the effect that if the return is made based on the income for the previous year the person is not subject to the penalty.

Mr. HARNESS of Indiana. Will the gentleman yield for a further question?

Mr. DOUGHTON. I yield.

Mr. HARNESS of Indiana. Is any relief provided in this bill for the small businessman, the small corporation, through providing some means whereby a reasonable reserve can be laid aside for post-war conversion and employing people and continuing in business?

Mr. DOUGHTON. That is already provided for. If you let every person, individual, and every corporation lay aside or plow back what they thought might be helpful to them in the post-war period, you would not be able to finance the war.

Mr. HARNESS of Indiana. The distinguished chairman of the Committee on Ways and Means does not mean that the present revenue act provides for that, does he?

Mr. DOUGHTON. I think we have shown great moderation in the taxes that were imposed both on corporations and individuals, for they do have something left for the post-war period.

Mr. HARNESS of Indiana. Then am I to understand that the gentleman means by that, that there is nothing in the bill to grant additional relief over existing law?

Mr. COOPER. If the gentleman will allow me, I may state that under present law provision is made for post-war reserves. That is not changed by this bill. There is also the net loss carry-over that is provided for under present law. There is included in this conference report a provision that will assist corporations to this extent, the specific exemption from excess-profits tax is increased from five to ten thousand dollars, it is just double. So to that extent this conference report is helpful along that line.

Mr. HARNESS of Indiana. That leaves this situation: The small corporation that has had perhaps a 25- or 50-percent increase in income will have left something like 21 percent, whereas the big corporation that has had from 50 to 100 percent increase in income will have left in excess of 50 or 60 percent.

Mr. COOPER. The only way, of course, by which an accurate picture of that can be visualized is to examine the structure of each corporation. There is no way of determining that at this point in the consideration of a conference report.

The gentleman may rest assured that all of the benefits with respect to the post-war reserves that are provided in present law are not disturbed in this bill, and there is the additional advantage of the specific exemption for excess-profits tax purposes being increased from $5,000 to $10,000, which is double.

Mr. HARNESS of Indiana. Does the gentleman believe that is adequate?

Mr. COOPER. It may be adequate in some instances, in some instances it may not be adequate, and in some instances it may be more than adequate. There is no way of determining these various questions, of course, in the consideration of a conference report.

Mr. DOUGHTON. I should like to say one thing about the Senate amendment which exempted from income tax the mustering-out pay of servicemen. That matter had not proceeded far enough when the bill was considered in the House that it could be considered here, but the Senate adopted such an amendment and the conferees were very glad to accede to it.

Mr. JENKINS. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the distinguished gentleman from Ohio.

Mr. JENKINS. I should like to refer again to the social-security feature on the last page of the bill. The distinguished gentleman from Tennessee [Mr. COOPER] gave us the impression that this law was sufficient in itself to provide that the Treasury will supply the difference in case there should be a difference needed, but I understand that cannot be done by this bill. By this bill it still remains that the Congress through the

Appropriations Committee would have to appropriate the money.

Mr. COOPER. The gentleman is correct. This now authorizes that appropriation.

Mr. JENKINS. Yes; it is an authorization.

Mr. KNUTSON. That is merely done, if the gentleman will yield, for the purpose of assuring the country that the fund will not be weakened to the extent where it cannot meet its obligations.

Mr. COOPER. The provision in question consists of only three lines:

There is also authorized to be appropriated to the trust fund such additional sums as may be required to finance the benefits and payments provided under this title.

Mr. JENKINS. I do not want the House to get the impression that this is a very immaterial matter, because it is a very material matter. This may be the opening wedge which in the future those who, when social security was established, took upon themselves the responsibility of maintaining—that means the employer and the employee undertook to do it will shift part of their load—it was assumed they would do it, they promised they would do it. If you carry this proposition clear through to the end it could mean that these employers and employees might never again be called upon to increase the amount they are paying now and the Treasury would have to assume that burden.

No such provision is needed at the present time because this fund is from five to seven times as large as it needs to be; it is in wonderful shape. It was placed high enough so that it could never be jeopardized. It went through the worst depression the country ever had and it never was jeopardized. As I say at the present time we have from five to seven times as much in the fund as we need. So this authorization provision is not necessary.

Let me say right here today that this matter was never considered by the Ways and Means Committee of the House or the Finance Committee of the Senate. If we adopt this proposition it will be one gigantic step in a direction we never intended when the Social Security Act was passed. It is a very important provision and the House should distinctly understand that this was a matter inserted on the floor of the Senate without its having been considered by either the Committee on Ways and Means of the House or the Finance Committee of the Senate. It might lead to very disastrous consequences.

Mr. CARLSON of Kansas. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. CARLSON of Kansas. I am in thorough agreement with the gentleman from Ohio. I think it is an invitation to use at least one-third of the revenues of the Government for the carrying on of this social-security program through the Federal Treasury. That has been suggested by the American Federation of Labor. It is the first step, the entering wedge.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. COOPER. I think both the gentleman from Ohio and the gentleman from Kansas are making a splendid contribution to this debate and rendering a real service to the people of the country in emphasizing the fact that this is a departure from the original concept of the whole social-security program. As the gentleman has well said it may be the entering wedge for a disturbance of this program on the basis that it has always been considered. Now, the employees, the workers, are willing for this increase in tax. The employers are the ones who are asking that it be frozen.

Now, then, if this provision of law is enacted whereby these funds may be taken from the General Treasury to pay the benefits, certainly that would be an encouragement in the future for people to say: "Let us quit paying this tax. Let it come out of the General Treasury of the United States."

Mr. DOUGHTON. Suppose they did say that, that is not any reason that the Congress would adopt such a policy.

Mr. COOPER. It is being adopted here today if this provision of the law authorizing the appropriation is agreed to.

Mr. JENKINS. Mr. Speaker, I am not making this little speech to detract from or to encourage anybody to refuse to adopt this report because we have to do it on account of the fact it is so big, it is so colossal, it is so important. Here is what might happen: At the present time the employer and employee are the guardians of this fund and they ought to see to it that it is administered properly, and that unjust encroachment should not be permitted against it. In other words, they ought to see to it that a man who makes a claim does not make a claim when he is not entitled to it. They hould protect the fund because they have to pay it. If they come to believe that it makes no difference whether the fund is robbed or improper people may be paid, or some employer declines to pay what he should pay, that would be a mistake, because the Treasury will have to make it up. I want to hold them to the text of this, as it was solemnly agreed upon in the beginning that they get all the benefit and they must maintain it.

Mr. COOPER. I just want to say that my reason for making the observation is because in my opinion the House ought to fully understand what is involved here. That is my only purpose in making these observations. I think we should understand fully just what this provision means.

Mr. DINGELL. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Michigan.

Mr. DINGELL. I want to add at this point for the benefit of my distinguished friend from Ohio—I think he knows it very well—that on three different occasions the attempt was made, and successfully, to freeze what we previously had authorized and directed should be done for the safety and solvency of the social-security plan. I refer to the original action of Congress. Obviously, under circumstances such as this when a third successive raid has been made on the provision which obviously the conferees could do nothing about, the fund should be propped because in three successful raids the raiders have detracted from the strength the law provides. We know, and we knew at the time we worked on the social-security bill, and my friend from Ohio was a member of the committee at the time, that there would be a reserve accumulation as time went on.

We reckoned into 1965 and even 1985 to provide a sound fund. Now we are faced with the problem of the freezing provisions of the report, which is contrary to the bill we passed in the beginning.

Mr. JENKINS. I do not agree with the gentleman in his logic, but we do agree generally for this reason: It is not so important to put a prop under this fund now. It does not need any prop. It went through the worst depression in the history of the country, and it went through unscathed. There is more money there than there need be. We do not need this. This is the opening of a door that will enable somebody to neglect his obligation or what he obligated himself to do.

Mr. DINGELL. We did not reckon on the post-war period, when the bill was first passed, because we did not anticipate any war in 1935, yet there comes to us now a new liability.

The SPEAKER. The Chair desires to call the attention of the gentleman from North Carolina [Mr. DOUGHTON] that he has consumed 35 minutes of the hour.

Mr. EBERHARTER. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. Does the gentleman from North Carolina [Mr. DOUGHTON] yield for a parliamentary inquiry?

Mr. DOUGHTON. What is the parliamentary inquiry?

Mr. EBERHARTER. Mr. Speaker, I would like to know who has the floor? The gentleman from Ohio is yielding and the gentleman from North Carolina is yielding.

The SPEAKER. The gentleman from North Carolina has the floor.

Mr. EBERHARTER. Will the gentleman yield to me?

Mr. DOUGHTON. After the distinguished gentleman from Ohio gets through with his observations I will yield to the gentleman from Pennsylvania.

Mr. JENKINS. I thank the gentleman for his consideration. I agreed to yield to the gentleman from Ohio for a short observation.

Mr. BENDER. Mr. Speaker, I address these remarks to the gentleman from North Carolina. Is it not a fact we were supposed to have in reserve some four billion dollars in the social-security fund? Is it not a fact that this money has all been used by the Federal Government and expended by the Federal Government, transferred through a bookkeeping transaction, or an indication

that there has been a transfer of these funds to the general revenue?

Mr. DOUGHTON. It is handled like all other trust funds.

Mr. EBERHARTER. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. Mr. Speaker, I want to call attention to the intimation that was left by the remarks of the gentleman from Ohio [Mr. JENKINS] when he called attention to the fact that this trust fund was 5 or 6 times perhaps the size that they would need. According to all the testimony which I heard before the committee, it was brought out very clearly that in the not-too-distant future, perhaps in 1950, or perhaps in 1960, the debt liability would rise to a sum at least equal, if not greatly beyond, the amount of the trust fund, and thereafter unless a greater trust fund was built up it would be necessary to draw on the general fund, in which event all of the people of the country will have to pay additional taxes in order to comply with the contracts which we made with the people of this country to pay them a social-security tax.

The first break in the contract that was made with the people of this country was when we did not make the additional 1 percent increase in the taxes as provided by the original bill. There is where the first break came. If we can violate the law, as it were, or change the law that was originally passed, and not put into effect the increases that were called for, by the same token we could next year say that no employer and no employee need pay any social security tax; we will just charge the taxes to all of the people and pay it out of the general fund. That is where the first mistake was made insofar as this act is concerned, that is, when we did not put into effect the increases called for by the original bill.

Mr. DOUGHTON. Of course, we could do that, but it is not in the realm of reason that we will do that. I had the honor of reporting out the original Social Security Act, which I have always been proud of. There is no one more anxious to keep the system sound and the fund adequate to pay the old-age benefits than I am. But you can only legislate by the information you have today. When this act was passed it was estimated the receipts would be so much and the payments would be so much, and that a certain required fund would be necessary to keep the system sound. The receipts have been many times greater than the payments and the payments less than estimated; consequently the fund to date is much larger than anticipated. I want to read from the testimony as to the adequacy of this fund and this is from the testimony when we conducted the hearings:

> If we did not collect another dime in taxes between now and December 31, 1947, if we paid up between now and the end of 1947 all of the benefits to be paid under the highest benefit estimates given by the Board of Trustees, then we would still have in our fund at the end of 1947 considerably more than three times the benefits to be paid out in that year 1947, which is the highest year of the current 5-year period.

If we did not collect another dollar, it would be more than three times the payment of benefits and if we collect the 1 percent that we are collecting now, it will be 10 times as much as the payments. I do not see any need for having a nightmare about the adequacy or sufficiency of this fund. That was the intent originally, and that intent has never been changed. The intent was that this fund shall be kept sound. There is no use of piling up money in the Treasury for one cause and appropriating for another cause. This money is being used for the general expenses of the Treasury. It is not necessary to question the soundness of the system. That has been proven by all the testimony.

Mr. EBERHARTER. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. The gentleman from whose testimony our distinguished chairman read also said quite plainly that the trust fund cannot be maintained for the payment of the debt liability against it at the same rate of taxation we are charging now. He admitted it would be absolutely necessary at some future date to raise the present rates.

Mr. DOUGHTON. Does not the law do that as it is, if it is not further amended?

Mr. EBERHARTER. Yes.

Mr. DOUGHTON. Of course, it does.

Mr. EBERHARTER. The question arises of when we should collect these taxes, when the country is prosperous or when we are in the midst of a depression.

Mr. DOUGHTON. This only freezes the rate for the remainder of this year.

Mr. Speaker, I now yield 5 minutes to the distinguished gentleman from Minnesota [Mr. KNUTSON].

Mr. CASE. Mr. Speaker, will the gentleman from Minnesota yield to me for a question?

Mr. KNUTSON. I yield to the gentleman from South Dakota.

Mr. CASE. May I ask the gentleman if it is not true that the amendment which has been under discussion merely authorizes to be appropriated to the trust fund such additional sums as may be required to finance the benefits and payments provided under this title of the Social Security Act and that it does not make any absolute requirement of an appropriation?

Mr. KNUTSON. The gentleman is correct. This is merely an authorization. I understand that the Senate wrote this section into the bill in order to give assurance as to the integrity of the fund. It would become applicable only when and if Congress failed to make proper provision for the maintenance of the fund by taxation, which we may assume will never be the case.

Of course, we have a very peculiar situation as regards the social-security trust fund. It is somewhat illusory, and operates very much like a saloon where the saloonkeeper is his own best customer. Every time he takes a drink he goes to the cash register, but he cannot make up his mind whether he is to ring up a sale or no sale. So it is every time Uncle Sam goes to the till of the social-security trust fund and takes out so many million dollars. He merely drops an I O U into the till. This means that when the money becomes due and payable the American people will have to be taxed again in order to replenish the fund. In other words, we are going to be taxed at least two times, and if the New Deal stays on indefinitely, God knows how many times we will have to be retaxed. But that is something in the future again.

I should like to call the attention of the House to the Senate report on the matter of freezing the pay-roll tax rate.

Mr. RAMSPECK. Mr. Speaker, will the gentleman yield for a question before he leaves that subject?

Mr. KNUTSON. I do not think I will. The gentleman looks like a cat getting ready to eat the canary.

I read from page 18 of the Senate Finance Committee report on the Revenue Act of 1943:

> In other words, Congress indicated that these contingent reserves are adequate whenever they exceed three times the highest cost of the system in any one of 5 subsequent years. Congress has twice applied this rule and, as a result, has twice postponed the statutory increase in pay-roll taxes.
>
> The committee has again applied this rule to the current situation. It finds that for the fiscal year ending June 30, 1943, $1,130,000,000 was collected in these particular pay-roll taxes; that the cost of benefits for the fiscal year was $149,000,000 plus $27,000,000 in administrative expenses; that the balance of $954,000,000 went into the contingent reserve; that this produced a reserve of $4,300,000,000 last June 30. The heaviest annual cost in benefits and administrative expenses from 1943 to 1948 is estimated by the Social Security Board from a low of $415,000,000 under normal circumstances to a high of $813,000,000 under abnormal circumstances. Thus the present reserve is about 11 (instead of 3) times the low and better than 5 times the highest.

Secretary Morgenthau, than whom there is no greater authority on this question, testified in 1939 that it was only necessary to keep a reserve of three times the highest benefit payments in the ensuing 5 years. Here we have several times the actual requirements, according to Dr. Altmeyer. So I do not believe the House need concern itself very much over the possibility of the social-security fund being depleted at an early date. The action of the Senate in freezing the present rate is only for 1 year; it automatically increases to 2 percent next January 1. Eventually, the rate increases to 3 percent under existing law, and Congress can always increase the rate further if the occasion arises.

Mr. MASON. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Illinois.

Mr. MASON. The Congress has by action frozen the social-security tax some two or three times.

Mr. KNUTSON. Twice.

Mr. MASON. But under the provisions of the Social Security Act it automatically unfreezes itself, and the new rates will take effect unless the Congress in the future decides there are plenty of funds in there and freezes it again.

Mr. KNUTSON. Precisely. As I said the freezing by the pending bill is only for 1 year.

Mr. MASON. The subsequent increase is automatic.

Mr. KNUTSON. Yes.

Miss SUMNER of Illinois. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the charming lady from Illinois.

Miss SUMNER of Illinois. The last tax bill caused great confusion, in my district, at least. I am reluctant to vote for anything that would increase that confusion, because the people cannot even find out what they owe. They are all being told that they face penalties, without being at fault. Is there any objection to our voting down this conference report long enough for those of us—and I think there are many of us—who do not understand to any great extent what is in the conference report to find out about it?

Mr. KNUTSON. It would be most unfortunate if the conference report were voted down. I hope that such a motion will not be made.

Miss SUMNER of Illinois. Why could it not go over a couple of days?

Mr. KNUTSON. The committee contemplates going into the matter of tax simplification this week. We hope to take up the simplification bill introduced by the gentleman from Kansas [Mr. CARLSON] or something along that line. Of course, I cannot speak for the chairman of the committee, but I can say that we are going to proceed immediately with the work of simplification.

Mr. ROBSION of Kentucky. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Kentucky.

Mr. ROBSION of Kentucky. I have received a great many letters and telegrams relating to the gains and losses provision with regard to timber owned and timber leased or to be cut.

Mr. KNUTSON. That is taken care of.

Mr. ROBSION of Kentucky. Is that satisfactory to the timber people?

Mr. KNUTSON. It is what they wanted.

Mr. KUNKEL. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Pennsylvania.

Mr. KUNKEL. Does this bill take care of the credits against Federal unemployment taxes as applied to those people who had the tax assessed against them in the years 1940 and 1941?

Mr. KNUTSON. We have also taken care of them. Title VI of the bill, which covers the matter, was included on my motion.

Mr. TABER. Mr. Speaker, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from New York.

Mr. TABER. I have been quite disturbed about three units of the Treasury Department, because of their appearance before the Committee on Appropriations, and I have been wondering if they are the ones that are largely responsible for these complex and intricate tax blanks we are getting. One of them is the general counsel, one is the Division of Tax Research, and one is the tax legislative counsel. I am wondering if those units are not to a very large extent responsible for this mix-up and the fact that the tax returns are so complex. I suspect them from looking at them and the way they acted.

Mr. KNUTSON. Of course, the gentleman appreciates that this is the seventeenth tax bill Congress has been called upon to take action on since 1933. They have come to us so fast that it has not been possible to streamline them or to take out the wrinkles. We have had to slap one tax bill on top of another, and before the ink was dry, we had to start work on the next tax bill. The result has been that our committee experts have not had time to give to the matters of simplification; but this is the last revenue measure in this Congress and henceforth we are going to be able to devote ourselves exclusively to tax simplification. Of course, it is not possible to work out tax returns that are completely simple. There are so many exemptions and deductions and allowances involving methods of calculation that it is out of the question, but we can streamline the tax structure to a considerable degree. Primarily the duty of preparing these blanks rests with the Bureau of Internal Revenue. The Bureau of Internal Revenue is a part of the Treasury Department, and because of that fact we cannot deal with it direct. Everything that passes between the Ways and Means Committee and the Internal Revenue Bureau must clear through the Treasury Department.

The SPEAKER. The time of the gentleman from Minnesota has expired.

Mr. DOUGHTON. Mr. Speaker, I yield the gentleman 1 minute more.

Mr. KNUTSON. As I said, everything must clear through the Treasury Department, and that is where the bottleneck exists. I am now having prepared a bill to completely divorce the Bureau of Internal Revenue from the Treasury Department.

Mr. TABER. And I venture the prediction, if the gentleman will yield, that the committee will have to do the simplification job, rather than the Treasury Department.

Mr. KNUTSON. We are going to proceed at once to do the job.

Mr. DOUGHTON. Mr. Speaker, I yield 5 minutes to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, it was stated here a few moments ago by the distinguished gentleman from Minnesota [Mr. KNUTSON] that this is the seventeenth new tax bill since 1933. These tax bills remind me very much of a Mexican grave. One tax bill has been piled on another as bodies are in a Mexican grave until the grave is filled, or else the stench becomes so great that they have to clean out the entire mess and start over again.

This bill does not carry quite as much revenue as some people in high authority feel it should. I think perhaps the committee has been circumspect in that regard. It is quite in accord now with American philosophy to quote English statesmen, so I shall refer to what Edmund Burke had to say. He said that the struggle for Anglo-Saxon liberty has always been fought on the battlefield of taxation, that the man who controls the money that is taken from the people in taxes is, in effect, a dictator, no matter what position he holds, irrespective of the form of government. And Napoleon once said, "Give me control of the purse strings of the nation, and you can have all of its armies."

When you consider that there has been taken from the people, since 1933, $118,422,000,000 in taxes and that the levy for this fiscal year will be $41,000,000,000, and in addition that there has been piled up a debt of $174,000,000,000, it becomes necessary to be cautious, even in time of war, as to how much money should be given to some persons who demand countless billions to spend. The first the committee heard about the amount of revenue that should be raised in this tax bill was $16,000,000,000. Then that figure was finally dropped and our committee was asked to raise $10,500,000,000. Later, Mr. Eccles came before our committee and suggested that the committee ought to raise about $16,000,000,000.

There is a limit to the tax load that the people can carry until they become adjusted to the load. Certainly you are not going to take an athlete and run him 5 miles the first time he goes into training, or take a soldier and pile on too heavy a load the first time he starts on a long march. If you do, you will ruin them both. Our country is different from others. Over a period of time the people have bought on the installment plan, and they were told by the administration that we were going to keep out of war, and every piece of legislation that was brought here was proclaimed as a means of keeping out of war, so our people kept on making their purchases and payments under the installment plan. Millions of them did that, and once you start in doubling the taxes year after year, as has been done for 17 times in about 10 years, you are going to break the morale of millions of people, when you strip them of all of the household goods they have bought and partly paid for on the installment plan. So, we have to use common sense when it comes to a question of raising money by taxation.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. Yes.

Mr. KNUTSON. I think the gentleman should call attention to the fact that a pseudo tax expert took to the air the other day and deplored the fact that Congress had not levied as much as the Treasury asked for, and the RECORD should further show that if Congress were to accede to this fantastic demand, it would result in taking 40 percent out of every man's pay envelope.

Mr. REED of New York. I am sorry to say that I have not the slightest idea to whom the gentleman refers.

Mr. EBERHARTER. Mr. Speaker, will the gentleman yield?

Mr. REED of New York. I cannot yield.

Mr. COCHRAN. If the gentleman would like to know, I could tell him his name.

Mr. REED of New York. I realize you could ask questions all afternoon on this tax bill. Heretofore on the tax bills that we have prepared, an analysis of them by question and answer has been prepared and included as a part of my remarks instead of taking up the time of the House in answering questions. Therefore, I ask unanimous consent to extend my remarks by including some 45 questions and answers relating to this particular tax bill, which I think will anticipate most of the questions that would be asked if I were to yield for that purpose.

The SPEAKER. Is there objection? There was no objection.

Mr. REED of New York. First, before entering upon the questions and answers, I shall insert the following table:

Taxes collected under New Deal

Fiscal year:	*Net receipts*
1933	$2,080,000,000
1934	3,116,000,000
1935	3,800,000,000
1936	4,116,000,000
1937	5,029,000,000
1938	5,855,000,000
1939	5,165,000,000
1940	5,387,000,000
1941	7,607,000,000
1942	12,799,000,000
1943	22,282,000,000
1944	41,186,000,000
Total	118,422,000,000

Despite this terrific tax burden, the national debt has increased from $22,000,000,000 to $174,000,000,000 since 1933.

QUESTIONS AND ANSWERS ON THE REVENUE ACT OF 1943

PART I. GENERAL SCOPE

1. Question. Does the new tax bill affect final returns on 1943 individual income, to be made on or before March 15, 1944?

Answer. In general, the individual income tax changes affect only returns for the taxable year 1944 and subsequent years.

2. Question What is the general scope of the Revenue Act of 1943?

Answer. In brief, the principal changes are as follows:

Victory tax: The Victory tax is reduced from 5 percent to 3 percent, with no post-war credit allowance and no adjustment for family or dependency status. The present $624 exemption is not changed. (See part II).

Individual income tax: The regular income-tax rates and exemptions remain at present levels, and there is no change in the rates and exemptions under the withholding provisions. The earned-income credit is repealed and the deduction for Federal excise-tax payments is discontinued. (See part III),

Corporate excess-profits tax: The corporate excess-profits tax is increased from 90 percent to 95 percent; the specific exemption thereunder is increased from $5,000 to $10,000; and the excess-profits credit based on invested capital is reduced by 1 percentage point in the intermediate brackets, No change is made in the corporation income-tax rates, applying to so-called normal earnings. (See part IV).

Administrative changes affecting individual and corporate income tax: A number of administrative changes are made which directly or indirectly affect the tax burden. (See parts V and VI).

Excise taxes: Many excise-tax rates are increased. (See part VII).

Postal rates: Various postal rates are increased. (See part VIII).

Tariff status of newsprint paper: The free entry of newsprint paper is extended to include lighter weight newsprint (rolls not less than 15 inches in width and sheets weighing not less than 30 pounds per ream). (See part IX).

Credit for unemployment taxes: The time within which credit may be taken against the Federal unemployment tax for contributions to State unemployment funds is extended. (See part X).

Social-security tax: The pay-roll tax on employers and employees under the old-age and survivors insurance provisions of the Social Security Act is frozen at 1 percent for 1944. (See part XI).

Renegotiation of war contracts: The law relating to the renegotiation of war contracts and repricing is amended in certain particulars. (See parts XII and XIII).

Revenue yield

3. Question. What is the increased revenue yield of the new law?

Answer. This is shown in the following table:

Estimated tax liability under the revenue bill of 1943 (H. R. 3687) as agreed to in conference, as compared with the tax liability under the present law, for a full year of operation [1]

[In millions of dollars]

General and special accounts and net postal revenue	Yield of present law	Yield of H. R. 3687	Increase (+) or decrease (−) of H. R. 3687 yield over yield of present law
1. INTERNAL REVENUE			
(*f*) *Income and excess-profits taxes*			
Corporation:			
Income [2]	4,734.6	4,667.6	−67.0
Excess-profits tax	10,888.8	11,521.8	633.0
Declared value excess-profits tax	105.6	105.0	−.6
Total corporation (gross)	15,729.0	16,294.4	565.4
Less post-war credit	1,088.9	1,152.2	63.3
Total corporation (net)	14,640.1	15,142.2	502.1
Individual:			
Net income tax	14,105.5	14,830.4	724.9
Victory tax (net)	3,491.8	3,431.8	−60.0
Total individual	17,597.3	18,262.2	[3] 664.9
Total income and excess-profits taxes	32,237.4	33,404.4	1,167.0
(*g*) *Miscellaneous internal revenue*			
Capital stock, estate, and gift taxes:			
Capital stock tax	365.0	365.0	
Estate tax	522.4	522.4	
Gift tax	40.2	40.2	
Total capital stock, estate, and gift taxes	927.6	927.6	

See footnotes at end of table.

Estimated tax liability, etc.—Continued

[In millions of dollars]

General and special accounts and net postal revenue	Yield of present law	Yield of H. R. 3687	Increase (+) or decrease (−) of H. R. 3687 yield over yield of present law
1. INTERNAL REVENUE—Continued			
(*g*) *Miscellaneous internal revenue*—Continued			
Taxes on commodities and services:			
Liquor taxes:			
Distilled spirits (domestic and imported) (excise tax) [2] [4]	735.2	1,101.2	366.0
Fermented malt liquors [2]	504.0	574.0	70.0
Rectification tax [2]	11.5	11.5	
Wines (domestic and imported) (excise tax) [2]	36.6	54.6	18.0
Special taxes in connection with liquor occupations	11.0	11.0	
Container stamps	9.4	9.4	
Floor-stocks taxes	.6	.6	
All other	1.6	1.6	
Total liquor taxes	1,309.9	1,763.9	454.0
Tobacco taxes:			
Cigarettes (small) [2]	892.8	892.8	
Tobacco (chewing and smoking) [2]	45.0	45.0	
Cigars (large) [2]	31.7	31.7	
Snuff	7.0	7.0	
Cigarette papers and tubes	1.3	1.3	
All other [2]	.1	.1	
Total tobacco taxes	977.9	977.9	
Stamp taxes:			
Issues of securities, bond transfers, and deeds of conveyance	25.0	25.0	
Stock transfers	19.0	19.0	
Playing cards [2]	7.5	7.5	
Silver bullion sales or transfers	[5]		
Total stamp taxes	51.6	51.6	
Manufacturers' excise taxes:			
Gasoline	251.1	251.1	
Lubricating oils	54.3	54.3	
Passenger automobiles and motorcycles	.9	.9	
Automobile trucks, busses, and trailers	3.5	3.5	
Parts and accessories for automobiles	25.0	25.0	
Tires and inner tubes	40.0	40.0	
Electrical energy	48.5	48.5	
Electric, gas, and oil appliances	3.6	3.6	
Electric light bulbs and tubes	5.0	20.0	15.0
Radio receiving sets, phonograph records, and musical instruments	3.5	3.5	
Refrigerators, refrigerating apparatus, and air-conditioners	1.1	1.1	
Business and store machines	2.8	2.8	
Photographic apparatus	11.9	11.9	
Matches	10.5	10.5	
Luggage [2]	5.0		−5.0
Sporting goods	2.0	2.0	
Firearms, shells, pistols, and revolvers	.8	.8	
Total manufacturers' excise taxes	469.5	479.5	10.0

See footnotes at end of table.

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Mr. DOUGHTON. Mr. Speaker, I yield 3 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Speaker, it is no disrespect to the Committee on Ways and Means nor its very distinguished chairman for me to say to the House that I am going to vote against this conference report. I am going to do it for several reasons including two primary reasons: First of all let me say I have been disturbed by some of the features of the bill bearing on renegotiation. I believe my colleague [Mr. IZAC] has rendered the House a service in pointing out some of the dangers in this regard. Some of the changes I believe are all right. Others may, I fear, lead to opportunities for profiteering which it is my duty to prevent. Furthermore, Mr. Speaker, I believe this bill to be wholly inadequate considering our Nation's present needs. As a matter of fact it is estimated to raise two and one-quarter billions of dollars, but the freezing of the social-security tax means a net reduction in taxes which otherwise would be collected of $1,400,000,000; in other words, the net increase of the tax revenue in this bill is only $850,000,000 at the outside. I am convinced, Mr. Speaker, that our country could come a lot closer to paying for this war as it goes along. I believe we should do our utmost in that direction. I do not believe we are, in this bill. I am convinced that we could find many billions of dollars to decrease the public debt. I believe we ought to be doing so. But we are not doing so in this bill. It would not be easy—nothing in a war like this can or should be easy—but taxes on both corporate profits and also on individuals could go up at a higher rate without really doing harm to anyone.

My vote is a vote of principle, Mr. Speaker. Taxes are at a time like the present the best way of preventing national debt increases. Taxes afford the only fundamental answer to the problem of inflation. We have our chance here to meet that problem at its roots, whereas the work of some of the regulatory agencies of Government is cutting at it only in its branches.

My second reason for opposing this report is that I think if there ever was a time in all the history of our country when it was right and proper and sound policy to extend the social-security program, when it was logical to provide an increase of these taxes in order that the people might have the best possible kind of savings laid away against a day after this war when the Nation will need support for consumer purchasing power and the people will need protection against the exigencies of life, that time is now. We should not reduce the social-security tax but instead should provide an expansion of the social-security program.

I think such an expansion of social security should have been provided in this bill instead of freezing the taxes as has been done here. The day will come when every Member of this House and millions of people throughout our country will wish we had done so.

Mr. Speaker, it is my judgment that by means of a tax bill that would at the same time raise more revenue than this one does, and include the simplification of taxes that the committee is going to work on, we would more nearly meet the desires of our own people, even those who would have to pay higher taxes, than we can do with an inadequate measure like the present one now before us.

These are some of the reasons I am voting "No" on this conference report.

The SPEAKER. The time of the gentleman has expired. All time has expired.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the adoption of the conference report.

The previous question was ordered.

The SPEAKER. The question is on agreeing to the conference report.

The question was taken; and on a division (demanded by Mr. PATMAN and Mr. MARCANTONIO) there were—ayes 125, noes 36.

Mr. PATMAN. Mr. Speaker, I object to the vote on the ground a quorum is not present.

Mr. MARCANTONIO. Mr. Speaker, I also object to the vote on the ground a quorum is not present.

The SPEAKER. Obviously a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify the absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 237, nays 102, not voting 88, as follows:

[Roll No. 21]

YEAS—237

Abernethy	Grant, Ala.	Pittenger
Allen, Ill.	Grant, Ind.	Ploeser
Anderson, Calif.	Green	Plumley
Andrews	Gregory	Poage
Auchincloss	Griffiths	Powers
Barrett	Gross	Price
Barry	Gwynne	Rabaut
Bates, Ky.	Hall,	Ramey
Bates, Mass.	Edwin Arthur	Ramspeck
Beckworth	Hall,	Randolph
Bender	Leonard W.	Rankin
Bennett, Mo.	Halleck	Reece, Tenn.
Bishop	Hancock	Reed, Ill.
Blackney	Harness, Ind.	Reed, N. Y.
Bloom	Harris, Ark.	Rees, Kans.
Bolton	Harris, Va.	Rivers
Boren	Hendricks	Rizley
Boykin	Herter	Robertson
Bradley, Mich.	Hill	Robinson, Utah
Brehm	Hinshaw	Robsion, Ky.
Brown, Ga.	Hoch	Rockwell
Brown, Ohio	Hoffman	Rodgers, Pa.
Bryson	Holmes, Wash.	Rogers, Mass.
Buffett	Hope	Rohrbough
Bulwinkle	Horan	Rolph
Burch, Va.	Howell	Rowe
Burgin	Jarman	Russell
Busbey	Jeffrey	Sasscer
Butler	Jenkins	Satterfield
Byrne	Jennings	Schiffler
Camp	Jensen	Scott
Carlson, Kans.	Johnson,	Scrivner
Carrier	Anton J.	Shafer
Carson, Ohio	Johnson,	Sheppard
Case	Calvin D.	Short
Celler	Johnson,	Sikes
Chenoweth	Luther A.	Simpson, Ill.
Chiperfield	Johnson, Ward	Simpson, Pa.
Church	Jones	Slaughter
Clark	Jonkman	Smith, Maine
Clason	Kean	Smith, Ohio
Clevenger	Kilburn	Smith, Va.
Cole, Mo.	Kinzer	Smith, W. Va.
Colmer	Knutson	Sparkman
Compton	Kunkel	Spence
Cooley	LaFollette	Springer
Cooper	Lambertson	Sullivan
Costello	LeCompte	Sumners, Tex.
Cravens	LeFevre	Sundstrom
Crawford	Lewis	Taber
Cunningham	Lynch	Talbot
Curtis	McCord	Talle
Davis	McCormack	Tarver
Day	McCowen	Thomas, Tex.
Dewey	McGregor	Thomason
Dies	McMillan	Tibbott
Dingell	McWilliams	Towe
Disney	Maas	Treadway
Dondero	Mansfield, Tex.	Troutman
Doughton	Martin, Iowa	Vinson, Ga.
Drewry	Martin, Mass.	Vorys, Ohio
Durham	Mason	Vursell
Eaton	Merrow	Walter
Eberharter	Michener	Ward
Elliott	Miller, Mo.	Wasielewski
Ellis	Mills	Weaver
Ellsworth	Monkiewicz	Welchel, Ohio
Elston, Ohio	Mott	Welch
Engel, Mich.	Mundt	Wene
Fellows	Murray, Tenn.	Whelchel, Ga.
Fenton	Newsome	Whittington
Fisher	Norman	Wickersham
Forand	Norrell	Wigglesworth
Gathings	O'Brien, Mich.	Willey
Gavin	O'Brien, N. Y.	Wilson
Gibson	O'Hara	Wolcott
Gilchrist	O'Neal	Wolfenden, Pa.
Gillette	Peterson, Fla.	Wolverton, N. J.
Gillie	Peterson, Ga.	Woodruff, Mich.
Goodwin	Pfeifer	Woodrum, Va.
Graham	Philbin	

NAYS—102

Allen, La.	Heidinger	Murdock
Andersen, H. Carl	Hoeven	Murphy
Andresen, August H.	Hull	Murray, Wis.
Angell	Izac	O'Brien, Ill.
Arnold	Johnson, Ind.	O'Connor
Bland	Johnson, J. Leroy	O'Konski
Bonner	Johnson, Lyndon B.	Outland
Brooks	Johnson, Okla.	Pace
Burdick	Judd	Patman
Canfield	Kearney	Patton
Cannon, Mo.	Kee	Phillips
Capozzoli	Keefe	Poulson
Cochran	Kefauver	Priest
Coffee	King	Richards
Courtney	Kirwan	Rogers, Calif.
Cox	Landis	Rowan
Crosser	Lanham	Sabath
D'Alesandro	Larcade	Sadowski
Dilweg	Lemke	Sauthoff
Dworshak	Lesinski	Schuetz
Ellison, Md.	Ludlow	Smith, Wis.
Engle, Calif.	McGehee	Stefan
Fitzpatrick	McKenzie	Stevenson
Fogarty	McMurray	Stewart
Folger	Madden	Sumner, Ill.
Fulbright	Mahon	Taylor
Gearhart	Manasco	Vincent, Ky.
Gordon	Mansfield, Mont.	Voorhis, Calif.
Gore	Marcantonio	Weiss
Granger	Miller, Conn.	West
Hagen	Miller, Nebr.	Whitten
Hale	Monroney	Winstead
Harless, Ariz.	Mruk	Worley
Hartley		Wright
		Zimmerman

NOT VOTING—88

Anderson, N. Mex.	Flannagan	Lea
Arends	Ford	Luce
Baldwin, Md.	Fuller	McLean
Baldwin, N. Y.	Fulmer	Magnuson
Barden	Furlong	Maloney
Beall	Gale	May
Bell	Gallagher	Merritt
Bennett, Mich.	Gamble	Miller, Pa.
Bradley, Pa.	Gerlach	Morrison, La.
Brumbaugh	Gifford	Morrison, N. C.
Buckley	Gorski	Myers
Burchill, N. Y.	Gossett	Norton
Cannon, Fla.	Hare	O'Leary
Carter	Hart	O'Toole
Chapman	Hays	Pracht
Cole, N. Y.	Hébert	Scanlon
Cullen	Heffernan	Schwabe
Curley	Hess	Sheridan
Dawson	Hobbs	Snyder
Delaney	Holifield	Somers, N. Y.
Dickstein	Holmes, Mass.	Stanley
Dirksen	Jackson	Starnes, Ala.
Domengeaux	Kelley	Stearns, N. H.
Douglas	Kennedy	Stockman
Elmer	Keogh	Thomas, N. J.
Fay	Kerr	Tolan
Feighan	Kilday	Wadsworth
Fernandez	Kleberg	White
Fish	Klein	Winter
	Lane	

So the conference report was agreed to.

The Clerk announced the following pairs:

Until further notice:

Mr. Cullen with Mr. McLean.
Mr. Magnuson with Mr. Arends.
Mr. Hart with Mr. Dirksen.
Mr. Curley with Mr. Wadsworth.
Mr. Morrison of Louisiana with Mr. Brumbaugh.
Mrs. Norton with Mr. Gifford.
Mr. Kennedy with Mr. Schwabe.
Mr. Delaney with Mr. Thomas of New Jersey.
Mr. Furlong with Mr. Fish.
Mr. Hobbs with Mr. Elmer.
Mr. Fay with Mr. Beall.
Mr. Keogh with Mr. Holmes of Massachusetts.
Mr. O'Toole with Mr. Miller of Pennsylvania.
Mr. Baldwin of Maryland with Mr. Gale.
Mr. May with Mrs. Luce.
Mr. Burchill of New York with Mr. Stearns of New Hampshire.
Mr. Kilday with Mr. Gerlach.
Mr. Somers of New York with Mr. Bennett of Michigan.
Mr. Kerr with Mr. Winter.
Mr. Feighan with Mr. Gallagher.
Mr. Klein with Mr. Carter.
Mr. Heffernan with Mr. Douglas.
Mr. Bell with Mr. Gamble.
Mr. Kleberg with Mr. Stockman.
Mr. Hare with Mr. Baldwin of New York.
Mr. Buckley with Mr. Hess.

The result of the vote was announced as above-recorded.

A motion to reconsider was laid on the table.

The doors were opened.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. McLeod, one of its clerks, announced that the House had agreed to the reports of the committees of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the following bill and joint resolution of the House:

H. R. 3687. An act to provide revenue, and for other purposes; and

THE REVENUE ACT—CONFERENCE REPORT

Mr. GEORGE. Mr. President, I submit the conference report on House bill 3687, the Revenue Act of 1943, and move that the Senate proceed to its consideration.

The ACTING PRESIDENT pro tempore. The report will be read.

The report was read.

(For conference report on House bill 3687, the revenue act, see the proceedings of the House of Representatives of February 7, 1944, pp. 1314–1325.)

The ACTING PRESIDENT pro tempore. The question is on the motion of the Senator from Georgia that the Senate proceed to the consideration of the conference report.

The motion was agreed to, and the Senate proceeded to consider the report of the committee on conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3687) to provide revenue, and for other purposes.

Mr. GEORGE. Mr. President, after a conference lasting less than a week the managers on the part of the Senate and House came to full agreement on the revenue bill of 1943. Differences between the House and Senate bills, especially important with respect to renegotiation, were settled in a spirit of harmony and cooperation.

REVENUE ESTIMATES

It is estimated that the revenue bill of 1943, as agreed upon in conference, will increase net Federal receipts by $2,315,200,000 in a full year of operation at calendar year 1944 levels of income and business activity. This sum exceeds the yield of the bill as it passed the House by $175,900,000, and is $39,600,000 greater than the yield of the Senate bill. Practically all the increase in yield over the bill as it passed the Senate is attributable to the conferees' action in agreeing to rates of certain excise taxes somewhat higher than contained in the Senate bill. Under the bill as agreed upon in conference it is estimated that net Federal receipts will total $40,840,200,000 in a full year of operation, compared with $38,525,000,000 under existing law

INDIVIDUAL INCOME TAXES

With respect to individual income taxes, it will be recalled that the Senate struck out the House provisions for a minimum tax which would have been substituted for the Victory tax in order to retain on the rolls those persons now subject only to the Victory tax. The Senate retained the Victory tax but made the rate 3 percent for all persons, regardless of family status. The Senate version represented at least a small measure of simplification over present law, and avoided introducing an entirely new method of computing taxes at the present time. While the House bill made certain changes in the withholding rates and exemptions, the Senate bill retained those provided in existing law. On these provisions affecting individual income taxes the House conferees receded.

The House conferees also receded on the Senate amendment which excludes from gross income mustering-out payments for military and naval personnel. The House conferees receded with respect to Senate amendments which lighten the penalties, and permits the use of the previous year's income, in connection with the estimated tax, with respect to the exclusion from gross income of certain cost of living allowances paid to civilian officers and employees of the Government stationed outside the continental United States, and with respect to repeal of the second windfall tax provided in the Current Tax Payment Act of 1943.

The Senate struck out the provision in the bill as it passed the House relating to the taxation of back pay attributable to prior years. The House conferees receded from their disagreement to this amendment, and agreed to it with an amendment which broadens the section so that it will now apply to back pay received from any source so long as the amount of the back pay received during the taxable year exceeds 15 percent of the gross income of the individual for such year.

The so-called hobby loss amendment contained in the Senate bill was modified in conference so that the limit on the deduction for such losses is raised from $20,000 to $50,000, exclusive of deductions for taxes and interest. The provision will be applicable only when losses of more than $50,000 have been sustained in each of 5 consecutive years.

CORPORATION INCOME AND EXCESS-PROFITS TAXES

With respect to the excess-profits tax on corporations, the Senate bill differed from the House bill in that the credit allowed on invested capital over $200,000,000 was retained at 5 percent as in existing law, rather than the 4 percent provided in the House. The House conferees receded with respect to this Senate amendment. Under the bill as agreed to in conference, the credit allowed on invested capital will compare as follows with that provided under present law:

Invested capital (in millions of dollars)	Credit (percent)	
	Existing law	H. R. 3687
Under 5	8	8
5 to 10	7	6
10 to 200	6	5
Over 200	5	5

The House conferees agreed to the Senate amendments extending the last-in first-out inventory method to include taxable years beginning in 1941, to the amendment restoring former treatment of partially worthless bad debts, and to the amendment permitting deductions for corporate contributions to veterans' organizations.

The House conferees receded with an amendment from their disagreement to the Senate amendment permitting corporations emerging from receivership or bankruptcy to use the capital structure of the predecessor company for tax purposes, and the amendment assuring that certain reorganized companies shall not have the basis of their property reduced by the amount of indebtedness canceled in the receivership process. The effect was to provide this relief for 1943 and subsequent years, and to provide for no gain or loss to the shareholder upon the receipt in 1943 of new securities for the old securities. A Senate amendment, providing that fraternal organizations exempt from income tax shall not be required to file returns, was agreed to by the House conferees.

The conferees agreed to retain the Senate amendments relating to the credit for surtax purposes for dividends paid on preferred stock of utilities, to the taxation of gains resulting from the disposition of radio broadcasting property pursuant to orders of the Federal Communications Commission, and to the taxation of income from the sale of timber.

The Senate had added talc and barite to the list of minerals for which percentage depletion is allowed for the duration, and made the depletion allowance for potash permanent. These provisions were retained. The House conferees receded from their disagreement to the Senate amendment redefining gross income from mining operations, with an amendment so as to include the ordinary treatment processes normally applied by mine owners or operators in order to obtain the commercially marketable mineral product.

The Senate had partially rewritten the provision contained in the House bill designed to close a loophole in existing law which permitted certain tax benefits through the acquisition of corporations. The Senate language was, in general, agreed to by the conferees, with the

major exception that it was made effective with respect to taxable years beginning after December 31, 1943, rather than retroactive for cases of fraud. It was further provided that determination of the law applicable to taxable years prior to 1944 shall be made as if this section had not been enacted, and without inferences drawn from the fact that this section was not expressly made retroactive. The House conferees insisted, and the Senate conferees receded, with respect to the Senate amendment excluding a corporation engaged in the transportation of natural gas by pipe line from the definition of a natural-gas company entitled to special treatment under the excess-profits tax.

EXCISE TAXES AND POSTAL RATES

In the House bill the tax on admissions was established at 2 cents for each 10 cents or fraction thereof, and in the Senate bill at 1 cent for each 5 cents or major fraction thereof. On this amendment the House conferees receded. The tax on cabarets was made 30 percent, as in the House bill, rather than the 20 percent provided in the Senate bill. In connection with the tax on jewelry, the House conferees receded with respect to the Senate amendment exempting from the increase in rate watches selling at retail for not more than $65 and alarm clocks selling at retail for not more than $5, while the Senate conferees agreed to restore the exemption contained in the House bill of silver-plated flatware from the jewelry tax.

The House conferees agreed to the lower rates of tax provided in the Senate bill for furs, toilet preparations, and bowling alleys. The taxes on furs and toilet preparations were made 20 percent, and the tax on bowling alleys was made $20 per year per alley, rather than 20 percent of the charge for bowling, as in the House bill. The House conferees agreed to the higher rates of tax provided in the Senate bill for leased wires and for wire and equipment service, and with respect to electric light bulbs and tubes, a compromise rate of 20 percent was agreed upon. Similarly, a compromise rate of 20 percent was provided in the case of the tax on luggage, handbags, and so forth.

The Senate action in striking out the tax on parimutuel wagering contained in the House bill was agreed to by the House conferees. The Senate bill contained a provision exempting servicemen from the tax on cabarets, but as it was felt this would be extremely difficult to administer, the Senate conferees were persuaded to recede. The House conferees receded with respect to the Senate amendment exempting billiard and pool tables in hospitals from tax if no charge is made for their use. The drawback on distilled spirits used in the manufacture of certain nonbeverage products was made $6 in the Senate bill, whereas in the House bill it was $5. The result of the Senate's action was to make the tax on such spirits $3 as compared with $4 in the House bill. On this provision the House conferees receded.

In connection with increases in postal rates, the Senate bill had stricken out the provision contained in the House bill increasing the rates on third-class mail. The House conferees agreed to this amendment.

MISCELLANEOUS

A Senate amendment broadening for the duration the class of duty-free imported newsprint was agreed to by the House conferees.

The House conferees receded with respect to the Senate amendment freezing for the calendar year 1944 the rates of certain social-security taxes.

SUMMARY AND AMENDMENTS WITH RESPECT TO WHICH SENATE CONFEREES RECEDED

Naturally, in the consideration of matters so important as those involved in this tax bill, it was necessary for the Senate conferees to recede with respect to a few of the amendments adopted in the Senate. It should be of interest, however, that of the 311 total of Senate amendments, the House conferees either accepted completely, or receded with an amendment, with respect to 269, while the Senate conferees receded from only 42 amendments, some of which were clerical.

We were unable to persuade the House conferees to agree to the amendment desired by the Senator from Pennsylvania relating to reorganization by adjustment of capital and debt structure of an existing corporation; to the amendment proposed by the Senator from New Mexico concerning income from potash mines or deposits; the amendment by the Senator from Ohio pertaining to the loss on the sale or exchange of securities of certain railroad-company subsidiaries; to the amendment offered by the Senator from Missouri relating to the unused excess-profits credit in the case of certain reorganized railroad companies; or to the amendment of the Senator from Illinois providing for a refund of the luggage tax to avoid double taxation. Likewise, the Senate conferees found it necessary to recede with respect to the amendment relating to gains and losses from involuntary conversions and from the sale or exchange of certain property used in trade or business, with respect to the amendment introduced by the Senator from Kentucky concerning the priority of payments under the Settlement of War Claims Act of 1928, and with respect to the amendment offered by the Senator from New Jersey providing for quarterly payments of the unforgiven tax under the Current Tax Payment Act of 1943. I believe this covers the important amendments with respect to which your conferees receded.

In regard to the renegotiation provisions, I will discuss some of the important provisions.

First. One of the most important changes made by the Senate and agreed to in conference was the one relating to the termination date. The House conferees accepted our termination date of December 31, 1944, with power in the President to shorten or lengthen the date, but in no case beyond July 1, 1945. There were certain minor changes made, but these related to determining what profits were attributable to the period before the termination date, and what profits were attributable to the period after the termination date.

Second. We agreed to the House provision allowing review by The Tax Court of the United States instead of the Court of Claims. However, the House conferees accepted the Senate provision which did not allow any review for cases closed by agreement. The House conferees also agreed in principle to the Senate provision for taking amortization allowances into account in connection with excessive profits determinations. To get the benefit of the provision, the amortization allowance must be recomputed for tax purposes first, and the recomputed amortization allowance reduced by the tax benefit is then refunded to the contractor or subcontractor.

We were unable to induce the House conferees to agree to the following, with reference to certain factors required to be taken as standards by the renegotiating board:

1. Problems in connection with reconversions should be a factor to be taken into account in determining excessive profits.

2. The factor as to the profits remaining after the payment of estimated Federal income and excess-profits taxes.

On both those amendments the Senate conferees receded.

The provision in the Senate amendment that the factors used in determining excessive profits be published was adopted.

The House accepted the repricing provisions, with the exception of the criminal penalty, which would put a person in jail for failure to deliver articles at the price fixed by order.

It is also made clear that the repricing provisions apply to war brokers.

A provision was adopted which carries out the intent of existing law that there is no authority to renegotiate the profits accruing to a company by reason of the increment in value of its long inventories, that is, inventories over and above its normal requirements to fulfill existing contracts.

Recurring to the repricing provisions in the bill, there is no termination upon that authority, broad as it is, given to the departments, except the termination of the war in the usual language in which provision is made for the ascertainment of the end of the war.

The House had an amendment exempting canned, bottled, or packed fruits or vegetables from renegotiation. The Senate had an amendment exempting processed dairy products from renegotiation. Both amendments were disagreed to in conference. It was believed that the $500,000 over-all exemption would take care of most of the canners or processors.

We were unable to get the House conferees to agree to the Senate amendment exempting machine tools, having a life of over 10 years, from renegotiation. The definition of subcontract as contained in existing law, and in the Senate bill, was adopted, except that office supplies were specifically exempted from the articles coming within the subcontract definitions. It is understood that office sup-

plies are now exempt under administrative interpretation.

We have received some complaints from contractors whose total contracts for the fiscal year aggregate slightly over $500,000. For example, a contractor might receive total amounts for his fiscal year aggregating $510,000. While this would make his contracts subject to renegotiation, it is not intended that the renegotiation shall reduce such amounts received below $500,000, and, on inquiry, I find that that is the disposition of certain of the departments charged with renegotiation.

The language of the statute is "contracts aggregating $500,000 received or accrued", and it has been pointed out by at least one of the secretaries that it would be easy in the case of contracts totaling just a little more than $500,000 for the contractor to decline to receive that amount, in which event his total contracts would not be renegotiated.

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

Mr. GEORGE. I yield.

Mr. McKELLAR. I simply ask the Senator to yield for the purpose of expressing my very great appreciation and approval of the report of the committee, which he, as its chairman, has made, concerning the renegotiation of contracts.

The PRESIDING OFFICER (Mr. LA FOLLETTE in the chair). The question is on agreeing to the conference report.

The report was agreed to.

VETO MESSAGE FROM THE PRESIDENT OF THE UNITED STATES—THE REVENUE ACT OF 1944 (H. DOC. NO. 443)

The SPEAKER laid before the House the following veto message from the President of the United States, which was read:

To the House of Representatives:

I return herewith, without my approval, H. R. 3687, entitled "An act to provide revenue, and for other purposes."

I regret that I find it necessary in the midst of this great war to be compelled to do this in what I regard as the public interest.

Many months ago, after careful examination of the finances of the Nation, I asked the Congress for legislation to raise $10,500,000,000 over and above the existing revenue system. Since then persons prominent in our national life have stated in no uncertain terms that my figure was too low.

The measure before me purports to increase the national revenue by a little over $2,000,000,000. Actually, however, the bill in its net results will enrich the Treasury by less than $1,000,000,000.

As a tax bill, therefore, I am compelled to decide that it is wholly ineffective toward that end.

More specifically the bill purports to provide $2,100,000,000 in new revenues. At the same time it cancels out automatic increases in the social-security tax which would yield $1,100,000,000. In ad-

dition it grants relief from existing taxes which would cost the Treasury at least $150,000,000 and possibly much more.

In this respect it is not a tax bill but a tax relief bill providing relief not for the needy but for the greedy.

The elimination of automatic increases provided in the social-security law comes at a time when industry and labor are best able to adjust themselves to such increases. These automatic increases are required to meet the claims that are being built up against the social-security fund. Such a postponement does not seem wise.

The clause relating to renegotiating of war contracts terminates the present renegotiation authority on December 31 of this year. This seems unwise at this time because no person can at present determine what a renegotiation time limit should be. More experience is needed. The formal right of appeal to The Tax Court that is granted by this bill is an inept provision. The present Tax Court exists for a wholly different purpose and does not have the personnel or the time to assume this heavy load.

The bill is replete with provisions which not only afford indefensible special privileges to favored groups but sets dangerous precedents for the future. This tendency toward the embodiment of special privileges in our legislation is in itself sufficiently dangerous to counterbalance the loss of a very inadequate sum in additional revenues.

Among these special privileges are:

(a) Permission for corporations reorganized in bankruptcy to retain the high excess-profits credit and depreciation basis attributable to the contributions of stockholders who are usually eliminated in the reorganization. This privilege inures to the benefit of bondholders who, in many cases, have purchased their bonds in the speculative market for far less than their face value. It may open the door to further windfall profits in this market because of the undeserved benefit received by reorganized corporations.

(b) Percentage depletion allowances, questionable in any case, are now extended to such minerals as vermiculite, potash, feldspar, mica, talc, lepidolite, barite, and spodumene. In the case of some of these minerals the War Production Board refused to certify that current output was inadequate for war needs.

(c) The lumber industry is permitted to treat income from the cutting of timber, including selective logging, as a capital gain rather than annual income. As a grower and seller of timber, I think that timber should be treated as a crop and therefore as income when it is sold. This would encourage reforestation.

(d) Natural gas pipe lines are exempted from the excess-profits tax without justification and in a manner which might well lead oil companies to request similar treatment for their pipe lines.

(e) Commercial air lines are granted an unjustifiable extension of the tax subsidy on their air-mail contracts.

It has been suggested by some that I should give my approval to this bill on the ground that having asked the Congress for a loaf of bread to take care of this war for the sake of this and succeeding generations, I should be content with a small piece of crust. I might have done so if I had not noted that the small piece of crust contained so many extraneous and inedible materials.

In regard to that part of the bill which relates to wholly unobjectionable tax increases, may I respectfully suggest to the Congress that the excise taxes can easily and quickly be levied. This can be accomplished by the passage of a simple joint resolution enacting those provisions of the bill which increase the excise taxes. I should be glad to approve such a measure. This would preserve the principal revenue provisions of the bill without the objectionable features I have criticized.

In another most important respect this bill would disappoint and fail the American taxpayers. Every one of them, including ourselves, is disappointed, confused and bewildered over the practical results of last year's tax bill. The Ruml plan was not the product of this administration. It resulted from a widespread campaign based on the attractive slogan of "Pay-as-you-go." But, as was said many years ago in the State of New York in regard to that same slogan "You don't pay and you don't go."

The Nation will readily understand that it is not the fault of the Treasury Department that the income taxpayers are flooded with forms to fill out which are so complex that even certified public accountants cannot interpret them. No, it is squarely the fault of the Congress of the United States in using language in drafting the law which not even a dictionary or a thesaurus can make clear.

The American taxpayer has been promised of late that tax laws and returns will be drastically simplified. This bill does not make good that promise. It ignores the most obvious step toward simplifying taxes by failing to eliminate the clumsy Victory tax. For fear of dropping from the tax rolls those taxpayers who are at the bottom of the income scale, the bill retains the Victory tax—while at the same time it grants extensive concessions to many special-interest groups.

The suggestion of withholding at graduated rates, which would relieve millions of people of the task of filing declarations of estimated income, was not adopted.

I trust, therefore, that the Congress, after all these delays, will act as quickly as possible for simplification of the tax laws which will make possible the simplification of the forms and computations now demanded of the individual taxpayers. These taxpayers, now engaged in an effort to win the greatest war this Nation has ever faced, are not in a mood to study higher mathematics.

The responsibility of the Congress of the United States is to supply the Government of the United States as a whole with adequate revenue for wartime needs, to provide fiscal support for the stabilization program, to hold firm against the tide of special privileges, and to achieve real simplicity for millions of small-income taxpayers.

In the interest of strengthening the home front, in the interest of speeding the day of victory, I urge the earliest possible action.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *February 22, 1944.*

The SPEAKER. The objections of the President will be spread at large upon the Journal, and the message and accompanying document will be printed as a House document.

Mr. DOUGHTON. Mr. Speaker, I move to postpone further consideration of the President's message until Thursday next, February 24.

The motion was agreed to.

THE REVENUE BILL

The SPEAKER. The unfinished business is the veto message of the President on the revenue bill.

The question is, Will the House on reconsideration pass the bill, the objections of the President to the contrary notwithstanding?

The gentleman from North Carolina [Mr. DOUGHTON] is recognized.

Mr. DOUGHTON. Mr. Speaker, the question before the House, the veto of the tax bill, has been debated both in the House and in the Senate and in the public press. I think the issue is well understood by the Members of the House and the country. Therefore, I think that further debate is unnecessary, and I move the previous question.

Mr. KENNEDY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. KENNEDY. Is there not some parliamentary method by which we who are going to support the President's veto message will have an opportunity to be heard before the vote is taken on the veto? I am mindful of the fact that the chairman of the Committee on Ways and Means controls the time, the 1 hour provided by the rules of the House, and unless he makes time available for us we will not be heard. As I do not believe the issue has been given sufficient reconsideration, I hope we shall have an opportunity to defend the veto message of President Roosevelt.

The SPEAKER. The gentleman is not submitting a parliamentary inquiry.

Mr. KENNEDY. I should like, and I believe the Chair should suggest, some means by which we would have an opportunity to be heard in support of the President and his courageous stand on the pending tax bill.

Mr. BRADLEY of Pennsylvania. Mr. Speaker, may I ask if the gentleman from North Carolina would be willing to withhold his motion?

The regular order was demanded.

The SPEAKER. Without objection, the previous question is ordered.

There was no objection.

The SPEAKER. Under the Constitution, the vote must be taken by the "yeas" and "nays."

The question was taken; and there were—yeas 299, nays 95, not voting 34, as follows:

[Roll No. 34]

YEAS—299

Abernethy	Chiperfield	Gossett
Allen, Ill.	Church	Graham
Allen, La.	Clark	Grant, Ala.
Anderson, Calif.	Clason	Grant, Ind.
Anderson, N. Mex.	Clevenger	Green
	Cole, Mo.	Gregory
Andresen, August H.	Cole, N. Y.	Griffiths
	Colmer	Gross
Andrews	Compton	Gwynne
Angell	Cooley	Hagen
Arends	Costello	Hale
Arnold	Cox	Hall, Edwin Arthur
Auchincloss	Cravens	
Baldwin, N. Y.	Crawford	Hall, Leonard W.
Barden	Cunningham	
Barrett	Curtis	Halleck
Barry	D'Alesandro	Hancock
Bates, Mass.	Day	Harness, Ind.
Beall	Dewey	Harris, Ark.
Beckworth	Dies	Harris, Va.
Bell	Disney	Hartley
Bender	Dondero	Hays
Bennett, Mich.	Doughton	Hébert
Bennett, Mo.	Drewry	Heidinger
Bishop	Durham	Hendricks
Blackney	Dworshak	Herter
Bland	Eaton	Hess
Bonner	Elliott	Hill
Boren	Ellis	Hinshaw
Bradley, Mich.	Ellison, Md.	Hoeven
Brehm	Ellsworth	Hoffman
Brooks	Elmer	Holmes, Wash.
Brown, Ga.	Elston, Ohio	Hope
Brown, Ohio	Engel, Mich.	Horan
Brumbaugh	Fellows	Howell
Bryson	Fenton	Jarman
Buffett	Fernandez	Jeffrey
Bulwinkle	Fish	Jenkins
Burch, Va.	Fisher	Jennings
Burdick	Folger	Jensen
Burgin	Fuller	Johnson, Anton J.
Busbey	Gale	
Butler	Gallagher	Johnson, Calvin D.
Camp	Gathings	
Canfield	Gavin	Johnson, Ind.
Carlson, Kans.	Gearhart	Johnson, J. Leroy
Carrier	Gerlach	
Carson, Ohio	Gibson	Johnson, Luther A.
Carter	Gilchrist	
Case	Gillette	Johnson, Ward
Chapman	Gillie	Jones
Chenoweth	Goodwin	Jonkman
Judd	Norman	Smith, Ohio
Kean	Norrell	Smith, Va.
Kearney	O'Brien, N. Y.	Smith, W. Va.
Keefe	O'Hara	Smith, Wis.
Kilburn	O'Konski	Sparkman
Kinzer	O'Neal	Springer
Kleberg	Pace	Stanley
Knutson	Peterson, Fla.	Stearns, N. H.
Kunkel	Phillips	Stefan
LaFollette	Pittenger	Stevenson
Lambertson	Ploeser	Stewart
Landis	Plumley	Stockman
Lanham	Poulson	Sullivan
Larcade	Powers	Sumner, Ill.
Lea	Pracht, C. Frederick	Sundstrom
LeCompte		Taber
LeFevre	Pratt, Joseph M.	Talbot
Lemke		Talle
Lewis	Price	Taylor
Luce	Ramey	Thomas, N. J.
Ludlow	Randolph	Thomas, Tex.
McConnell	Rankin	Thomason
McCowen	Reece, Tenn.	Tibbott
McGehee	Reed, Ill.	Towe
McGregor	Reed, N. Y.	Treadway
McKenzie	Rees, Kans.	Troutman
McLean	Richards	Vinson, Ga.
McMillan	Rivers	Vorys, Ohio
McWilliams	Rizley	Vursell
Maas	Robertson	Wadsworth
Mahon	Robsion, Ky.	Walter
Maloney	Rockwell	Ward
Mansfield, Tex.	Rodgers, Pa.	Wasielewski
Martin, Iowa	Rogers, Mass.	Weaver
Martin, Mass.	Rohrbough	Welchel, Ohio
May	Rolph	West
Merrow	Rowe	Whelchel, Ga.
Michener	Russell	White
Miller, Conn.	Sasscer	Whitten
Miller, Mo.	Satterfield	Whittington
Miller, Nebr.	Schiffler	Wigglesworth
Miller, Pa.	Schwabe	Willey
Mills	Scott	Wilson
Monkiewicz	Scrivner	Winstead
Morrison, N. C.	Shafer	Wolcott
Mott	Sheppard	Wolfenden, Pa.
Mruk	Short	Wolverton, N. J.
Mundt	Sikes	Woodruff, Mich.
Murray, Tenn.	Simpson, Ill.	Woodrum, Va.
Murray, Wis.	Simpson, Pa.	Worley
Newsome	Smith, Maine	Zimmerman

NAYS—95

Andersen, H. Carl	Gorski	Myers
	Granger	Norton
Bates, Ky.	Harless, Ariz.	O'Brien, Ill.
Bloom	Hart	O'Brien, Mich.
Bolton	Heffernan	O'Connor
Bradley, Pa.	Hoch	O'Toole
Buckley	Hull	Outland
Burchill, N. Y.	Izac	Patton
Byrne	Jackson	Pfeifer
Cannon, Mo.	Johnson, Okla.	Priest
Capozzoli	Kee	Rabaut
Cochran	Kefauver	Robinson, Utah
Coffee	Kelley	Rogers, Calif.
Cooper	Kennedy	Rowan
Courtney	Keogh	Sabath
Crosser	King	Sadowski
Davis	Kirwan	Sauthoff
Dawson	Klein	Scanlon
Delaney	Lane	Sheridan
Dickstein	Lesinski	Snyder
Dilweg	Lynch	Somers, N. Y.
Dingell	McCord	Spence
Eberharter	McCormack	Tarver
Engle, Calif.	McMurray	Tolan
Feighan	Madden	Vincent, Ky.
Fitzpatrick	Magnuson	Voorhis, Cal.
Flannagan	Mansfield, Mont.	Weiss
Fogarty		Welch
Forand	Marcantonio	Wene
Ford	Merritt	Wickersham
Furlong	Monroney	Wright
Gordon	Murdock	
Gore	Murphy	

NOT VOTING—34

Baldwin, Md.	Gamble	Morrison, La.
Boykin	Gifford	O'Leary
Cannon, Fla.	Hare	Patman
Celler	Hobbs	Peterson, Ga.
Cullen	Holifield	Philbin
Curley	Holmes, Mass.	Poage
Dirksen	Johnson, Lyndon B.	Ramspeck
Domengeaux		Slaughter
Douglas	Kerr	Starnes, Ala.
Fay	Kilday	Sumners, Tex.
Fulbright	Manasco	Winter
Fulmer	Mason	

So (two-thirds having voted in favor thereof) the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Winter and Mr. Hare for, with Mr. Lyndon B. Johnson against.

Mr. Dirksen and Mr. Celler for, with Mr. Morrison of Louisiana against.

Mr. Douglas and Mr. Peterson of Georgia for, with Mr. O'Leary against.

Mr. Kilday and Mr. Slaughter for, with Mr. Patman against.

Mr. Hobbs and Mr. Sumners of Texas for, with Mr. Cullen against.

Mr. Gamble and Mr. Mason for, with Mr. Fay against.

Mr. Kerr and Mr. Boykin for, with Mr. Hollfield against.

General pairs:

Mr. Starnes of Alabama with Mr. Gifford.

Mr. Fulbright with Mr. Holmes of Massachusetts.

Mr. Cannon of Florida with Mr. Domengeaux.

Mr. Manasco with Mr. Curley.

The result of the vote was announced as above recorded.

Mr. TARVER. Mr. Speaker, I ask unanimous consent to proceed for 1 minute and to revise and extend my remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. TARVER. Mr. Speaker, I have voted to sustain the President's veto.

I have differed with the President's views on many occasions during the last 11 years. I have tried to support his leadership at all times when well-founded reasons based on conscientious convictions did not require otherwise. I have not felt, and I do not feel now, that such convictions can be, or should be, surrendered under the obligations that are assumed by a Member of Congress by his oath of office.

On this account I did not support many of the measures which have been proposed by the Chief Executive during the 11 years of his official tenure. When other Members who are now bitter in their condemnation of him joined with the throngs who shouted "Hosanna" and strewed palm leaves in his path, I admired and supported many of his policies, and I felt then, and feel now, that his leadership has been outstanding in American history, particularly in his handling of foreign affairs before and during the present emergency. But I have never regarded him, nor any other human being, as perfect and infallible, and have never been regarded as a "hundred percenter" or "yes man." While many of those who once shouted "Hosanna" are now after his scalp, I prefer to stand by his side in all matters where conscience does not dictate otherwise.

I do not find this to be an issue upon which I cannot agree with him without sacrificing firm convictions. I am not enthusiastic about this tax bill. It is true, I voted for it, just as most of you did, but nobody had anything to do with writing it excepting the members of the Ways and Means Committee. That that committee labored long, diligently, and conscientiously, no one familiar with the facts will question. Under the rule adopted for consideration in the House, no individual Member could even offer an amendment. We had to vote it up or down as it was written. It contains much of which I approve, much of which I disapprove. I thought it was better than no bill at all. But I am not so strongly wedded to its provisions, as a whole, that I am willing to join with the enemies of my party, and of this administration, to renounce the leadership of the President and bring about a condition of confusion in our national affairs which can redound to the advantage of nobody so much as to that of Hitler and Hirohito.

I believe that the veto message of the President was intemperate in some of its expressions and calculated to arouse just resentment on the part of Members of Congress who feel they have done the best they could with a hard job; but I am not willing to allow resentment, however just, to dictate my position on a matter of such vital importance to the American people. I have not voted in anger.

Perhaps the President, with all of the burdens resting upon his shoulders, may be entitled to as much, if not more, sympathy for asperity, however unjustified, in a message to Congress as was so generously showered in many quarters on General Patton when he had an attack of nerves. Perhaps the President sometimes feels the strain of leadership in this crucial period of the world's history and says things that upon more mature reflection he would have left unsaid.

The outstanding feature of the President's message is the stress he lays upon the necessity for raising more money to pay for this war than is proposed in this bill. With that viewpoint I am in hearty accord. I voted against the Ruml plan. I voted against repealing the Executive order limiting salaries, above taxes, to $25,000 per year. I know the tax burden is heavy. I have paid out in Federal, State, county, and city taxes for 1943 approximately one-third of my total income. I am willing to pay more. When American boys are fighting and dying upon far-flung battlefields and on the seven seas, most of them being paid $50 a month, I am not willing to place any limit upon what I am willing to pay, and to have others pay, excepting the limits indicated by our national need and by our ability to pay. Hard, it may be; it will involve sacrifice. I can sleep better at night if I am able to feel that I am making every sacrifice I can that will help, and ninety-nine one-hundredths of the American people feel the same way. They do not want the boys in service to do the fighting and then come back home to spend the rest of their lives paying the war debt.

So if our Commander in Chief, with his better sources of information on many matters relating to this issue, feels we should try to write a tax bill that will raise more money than this bill will raise, and that for the present it is better to have no bill at all than this one, I, for one, am willing for the Congress to try to write a bill that will raise more money, and I hope that when another tax bill is written, it may be considered under a rule which will at least allow Members not on the Ways and Means Committee to offer amendments to be voted on by the House, suggesting methods they deem proper for raising revenue. It is true the Constitution provides that revenue bills shall originate in the House of Representatives, but I find no provision in that instrument that the duty of writing them shall rest altogether on the shoulders of the Ways and Means Committee.

So I have not voted to over-ride this veto. I am not one of those who want to see the President discredited. I shall not join with those who do. I know that advocating high taxes is not popular, particularly in election years. I know it is much more popular to appropriate money, whether we have it or not. But I have supported in this vital matter the leadership of the President and leave to those whom I represent the duty and power to determine, as they soon must do, whether in this, and, on the whole, I speak for them and by their authority.

Mr. DINGELL. Mr. Speaker, in order that my attitude may be recorded I ask unanimous consent to address the House for 1 minute, and that I may extend my own remarks at this point.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. DINGELL. Mr. Speaker, in this discussion involving the constitutional right and privilege of the Congress to pass legislation, many references were made to the encroachment on the part of the Executive, and it was inferred, if not directly charged, that he is transgressing upon the constitutional rights of the legislative body.

I do not intend to discuss this at length excepting to remind the Members of the House that under our Constitution, the three branches of Government, the legislative, the judiciary, and the executive, are coequal and, therefore, we must concede that the President has the constitutional right to approve a tax bill or to refuse approval by the exercise of veto. Then, we in the legislative branch can exercise our constitutional right and can vote to either override or to sustain the action of the President. Whether the President was right or wrong on many details of the bill, whether he was properly or poorly advised, I shall not be concerned about here and now. My discussion must of necessity be limited because of the available time.

The bill with which we are concerned, which has been returned to the Congress without Executive approval, like any other bill, has its strong and its weak points, its virtues, and its faults. It is, as has been stated repeatedly, a composite involving the views of 435 Members of this House and the 96 Members of the Senate.

I believe that the President would have gladly given his approval to a tax bill of $2,315,000,000, which in addition to the social-security tax of $1,400,000,000 would have amounted to $3,715,000,000, all of which would have come out of the pock-

ets of the American taxpayers and thus would be diverted, from the dangerous stream of inflation, to the Treasury for war purposes and to the social-security fund to guarantee the future solvency of the plan.

We can readily understand the Treasury's position and the attitude of the President in his objection to the repeated freezing of the social-security tax; and, while the tax bill and the freezing action are separate and distinct, when you credit a freeze of $1,400,000,000 against a revenue bill of $2,315,000,000, you have a net diversion from the inflationary stream of only $915,000,000, and that is not only inadequate but absolutely unjustified at this time. Had there been no move to freeze the social-security tax, due and payable during the year 1944, the total figure of $3,715,000,000 would have been $2,800,000,000 in excess of the visible total diversion from the inflationary stream, which, as I pointed out before, amounts to a net of only $915,000,000.

We can understand the Treasury's position and the sustaining attitude of the President. At least, I can see it in a clear perspective that he desires as much revenue as is possible in addition to the retention of the social-security tax. We can see it in the suggestion of the Executive that if the Congress chooses to reenact the excise taxes, which amount to approximately $1,100,000,000, he will promptly and gladly approve the action. If we will take this figure and add it to the $1,400,000,000 of social-security taxes, which would be collectible should the Congress sustain the President in his veto action, the total amount of money diverted from the inflationary pool would amount to $2,500,000,000, or $165,000,000 more than the total amount of the revenue bill.

I am not an expert in accounting, but it is elementary and clear to me that the revenue bill plus the social-security tax would divert $3,715,000,000 from the spending spree, whereas a credit of $1,400,000,000 against the revenue bill leaves but a net of $915,000,000, which is a difference between what might have been and what we actually face if the President's veto is not sustained, of $2,800,000,000. This $2,800,000,000 is, in turn, and in itself $485,000,000 larger than the tax bill which has brought about the President's disapproval.

As one who has always championed social security on a broad and liberal basis, maintained largely from revenues levied upon industry and upon the beneficiaries, I am in agreement with the President that the time has come when we must put a stop to the ill-advised and repeated underreaming of the social-security plan by a method employed in the Senate which could not prevail in the House. I knew that some day the President, or possibly we in the House, would catch up with this repeated weakening of the social-security fund and would stop this freezing method which endangers the future solvency of the entire structure.

At the time of the consideration of the social-security plan, we had no American Experience Mortality Table such as serves the life-insurance companies as a guide in establishing rates and providing reserves. We had to do the best we knew how and to provide a margin for future safety. Accordingly, we charted a course for the accumulation of reserves early in the life of the plan for we did know one thing as a certainty, and that was that at the outset the drain would be less and as the plan and the country became more mature, the revenues might be less and the drain on the reserves become increasingly heavier. We foresaw, and the experts so advised, a substantial accumulation of reserves in the early years but a tremendous increase in the drain beginning somewhere, as I recall from memory, about 1965 and increasing progressively until about 1985, at which time there would be a dip in the drain and thence a leveling off line toward the end of the chart.

The fault that I find with the repeated and deliberate freezing of social-security revenues is that it has been brought about by an off-hand amendment in the other Chamber and this has been done without any hearings. I have no objection to a revision of the tax rate or a freezing application but I want it to be done in an orderly manner and it must be done only after hearing every argument, pro and con. It is not for us as legislators to arbitrarily freeze the revenues of the social-security fund because we enjoy that privilege and because we might have the right to do so. Let me call your attention to the fact that the social-security reserve fund is growing right now because a great many men and women who have been beneficiaries or who have been drawing upon the fund are today employed in industry. Thus the funds of the social-security plan are growing, not only because of the fact that the number of beneficiaries is smaller but also because, in addition, they are contributing to the reserve fund. It is not always going to be that way or, at least, it may not. We do not know what will be the immediate effect of the war upon the reserve fund, and I believe it is dangerous and unwarranted that we should experiment and approve the repeated strangulation and raiding of what is a trust fund for present and future citizens, the beneficiaries of a great and benevolent plan.

I am constrained, for the purpose of blocking these attempts in the future, to vote to sustain the President's veto.

To conclude, let me say that I concede to my distinguished chairman and to my colleagues on both sides the right to differ with me in my contentions and to choose the opposite course. I hold that that is their privilege and I concede that they are totally sincere in their opposition to the President's action, but I am bound in conscience to defend and protect the Social Security Act until facts and data shall have convinced me that the reserves are excessive and unwarranted. Therefore, I repeat I shall vote to sustain the President and urge you, in the light of my remarks, to do likewise.

Total of revenue bill	$2,315,000,000
Social-security tax freeze	1,400,000,000
Total amount of drain upon inflation pool	3,715,000,000
Total of revenue bill	2,315,000,000
Less social-security-tax freeze	1,400,000,000
Net minimum drain upon inflation pool	915,000,000
Difference between maximum and minimum possible diversion from inflation pool	2,800,000,000
Amount of vetoed bill	2,315,000,000
Amount of vetoed bill (in itself) is less than the difference by	485,000,000

Or to show it in another way—

Reenactment of the excise taxes in the vetoed bill	$1,100,000,000
Plus retention of the social-security-tax freeze	1,400,000,000
Total amount of these two items	2,500,000,000
Amount of vetoed bill	2,315,000,000
Vetoed bill is less than the 2 items shown by	165,000,000

Mr. ANGELL. Mr. Speaker, I voted against the revenue bill when it was before us in the House. I voted today, however, to override the President's veto. I have not changed my views with reference to the bill itself. I am opposed to some of the provisions contained in the bill, and I regret that it did not contain other provisions which, in my judgment, should have been included within it. I voted against the bill while it was still before the legislative department of the Government, because that was the only available way I had to go on record with reference to the measure. However, the situation is now completely changed.

No one denies the President has the right to veto any bill passed by the Congress. That is not an issue here. In passing, let me say that I am informed that this is, however, the first general revenue bill vetoed by a President in the more than 150 years of our history. The present Chief Executive has vetoed about 600 bills passed by the Congress, out of some 1,750 vetoed in the century and a half of our history. Jefferson vetoed none. The question before us is not veto power, but the right of the President to control taxation and override the powers of the Congress, composed of 531 representatives of the people. The merits or demerits of the revenue bill is not now the issue before us. The question now is, Shall American constitutional government and our American way of life be upheld or rejected? It is a time to stand up and be counted, and I want to stand up and be counted on the side of maintaining our Republic, foursquare with the Constitution.

The power to tax is the power to destroy. It has been recognized from time

immemorial that the control of the purse strings is the control of the Government. The founding fathers of our Republic were painfully aware of this fact. They provided in the Constitution that the control of taxation should be lodged in the Congress, and only the House of Representatives, being the most numerous and nearest the people, elected every 2 years, should initiate all tax legislation. When they met in Philadelphia to frame the Constitution they had just emerged from a long and bloody conflict, in which one of the major issues was taxation. The Boston Tea Party was still fresh in their memories, and the magic words "no taxation without representation" was ringing in their ears. They could still recite from memory the stinging indictments against despotic powers over them, penned by the immortal Jefferson in the Declaration of Independence, which forced the struggling Colonies to sever their connection with the government which imposed them. They vividly recalled that the history of that despotic rule was a history of repeated injuries and usurpations. Among these grievances against which they complained were that the King had made judges dependent on his will; that he had erected a multitude of new offices and sent hither swarms of officers to harass their people and eat their substance; that he had imposed taxes on them without their consent; that he had abolished the free system of English laws, establishing therein an arbitrary government; that he had taken away and altered, fundamentally, the forms of their government; that he had suspended their own legislatures and declared himself invested with power to legislate for them.

Gradually we have seen slipping away the powers vested in the Congress by the Constitution. The Congress is the one bulwark that stands between the American people and despotism. If the Congress shirks its duty and permits the executive branch to take from it the control not only of taxes but of other legislation, the American way of life will be doomed. We have seen the powers of Congress surrendered, one by one, to the Executive, and we have seen bureaucratic control reach out and draw within its meshes the powers of government over the lives and the property of the American people which were vested by the founding fathers in the exclusive control of the Congress. We have seen the tax revenues of the American people squandered and dissipated in profligate spending by an entrenched bureaucracy, until the very financial foundations of our Government are being undermined. Every needed dollar for war expenditures will be cheerfully provided, but today we are spending at the rate of $100,000,000,000 a year, and a national debt looms ahead of three hundred billions, and we are placing a tax burden upon our people by this bill and existing tax laws of upward of $42,000,000,000 a year. We began the war with a public debt of $65,000,000,000. We have since appropriated $366,000,000,000.

We here in the Congress know that much of this spending by uncontrolled bureaus and Federal agencies is wasting the people's substance, is interfering with the successful prosecution of the war, and is heading our Government toward bankruptcy. The Ways and Means Committee of the House, charged with the responsibility of originating revenue legislation and conserving our national wealth, after months of arduous work, has presented this tax bill, which has likewise been approved by the Senate Committee on Finance, and both branches of the Congress. The two objectives uppermost in the minds of the Members of the Congress in this tax legislation is, first, to provide the necessary revenues for the prosecution of the war and the maintenance of the Government; and second, to keep the burden of taxation maintained at a level at which the American people may meet the obligation and keep their own affairs solvent. They rightfully rejected overtures to use the taxing power as a vehicle for bringing about social changes.

Every American recalls that the American patriots of 1776 concluded the declaration of their independence with these prophetic words:

> And for the support of this Declaration, with firm reliance on the protection of divine providence, we mutually pledge to each other our lives, our fortunes, and our sacred honor.

The pledge was kept. They paid with their blood to keep it. Their fortunes were sacrificed and their lives were gladly given in exchange for their freedom, and that the Constitution and the American Republic might be established. Into our keeping has come that sacred heritage from our forebears. We in the Congress have taken a solemn oath to maintain and uphold it.

Mr. Speaker, the time has arrived again for the American people to make a new declaration of independence. The veto of the revenue bill is only one step in a plan of the Executive to gain control of the purse, to override and destroy the powers of the Congress and to undermine the Constitution, and to bring under the complete control of the executive department all of the functions of government in our country. We were not elected to liquidate the American Congress. The time has arrived for the Members of the Congress in both branches to take a stand either for or against constitutional government and the maintenance, unsullied, of the complete independence of each of the three coordinate branches of the Government—the legislative, the judicial, and the executive. Today we are ruled by Presidential directives and Executive orders. The time is here for the Congress to recapture its constitutional powers, to throw off the domination of the Executive, and restore constitutional government. The vote on this veto has pointed the way.

Mr. IZAC. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection?

There was no objection.

Mr. IZAC. Mr. Speaker, I saw the First World War from the other end; this war I am seeing from this end—the legislative end. But there is a striking resemblance in the feelings that men have when they are doing the fighting and someone else is doing the profiteering, and that feeling is that there should be no profits made out of any war.

Now we chafe under the sting of a Presidential veto. And so, being slapped, the House now wants to slap back. But do you not think, my colleagues, there is another and a higher consideration to which we owe fealty? Just suppose the President is right. Just suppose that when he says this bill "takes from the needy and gives to the greedy" the facts in the case justify his statement. Is it good statesmanship on our part to say, "Never mind about excessive war profits; let us get 'even' with the President"? My colleagues, I have been into the files of the Navy Department, the War Department, and the Maritime Commission price-adjustment boards, and I know every one of you having a similar opportunity would react as I have. You could no more countenance such unconscionable profits as are being made by war contractors making the things our soldiers have to have to win this war than can I. Now the boards are recapturing most of these profits and saving billions of dollars to the taxpayers of our country. But the bill the President vetoed ends renegotiation on December 31, or, at latest, 6 months after, and then, in truth, the sky will be the limit. There are other loopholes. True, loophole after loophole was eliminated from the bill in conference, and for this every one of us should feel indebted to the conferees; but, my friends, in time of war we must not permit a single loophole in any bill which would permit a single person to become rich. Oh, yes; the President is right—he knows the profits this bill permits and he has taken the same stand we should take. I hold that there rests on his shoulders no more solemn a duty to safeguard the interests of the people of this country than rests on ours. It is not, as some would have it, "How can we get even with the President?" It is, "How can we act for the greatest benefit of the people?" The President is right. I shall support his veto.

Mr. HOLIFIELD. Mr. Speaker, I ask unanimous consent to extend my own remarks at this point in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HOLIFIELD. Mr. Speaker, I arrived on the floor after my name had been called for a vote to sustain or reject the President's veto on the tax bill. Due to an unavoidable appearance before the State Department on an immigration matter for a constituent, I arrived some 3 minutes late. In such a case the rules of the House prohibit the Member qualifying for the roll-call vote. I immediately entered my name on the pair list in favor of sustaining the President's veto. If I had been present in time for qualification, I would have cast my vote in favor of sustaining the President's veto.

Mr. WICKERSHAM. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD at this point.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. WICKERSHAM. Mr. Speaker, in connection with the overriding of the President's veto of the tax bill, permit me to say that the so-called $2,000,000,000 tax bill does not provide sufficient revenue. None of us like to pay further taxes, but we must bear in mind that it is necessary to furnish guns, weapons, and materials to our fighting forces and that we dare not fail our servicemen, even to the extent of one gun; consequently taxes are necessarily high. On the other hand, we must not allow those whose incomes have not increased or those whose incomes have decreased to be overburdened. The tax should be placed on those most able to pay. We cannot escape the fact that many war millionaires were made in the other war; therefore, every precaution should be taken at this time to assure our people that war contractors shall not make excessive profits as a result of the bloodshed of our servicemen during this dreadful conflict.

I fear that this might happen if renegotiation of war contracts were suspended. At this time when we are considering the veto, we must remember that the passions unloosed are still at their flood stage at this hour and that judgments made in the heat of passion are not to be trusted and that deductions drawn from such judgments may not survive the searchings of cool reason. Thoughtful men will therefore be slow to assess the significance of yesterday's drama. Nothing of importance that has happened will lose its significance during a cooling-off period.

VETO OF THE TAX BILL

Mr. ALLEN of Illinois. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. ALLEN of Illinois. Mr. Speaker, I have just voted to override the Presidential veto of the tax bill.

Two billions of dollars is more money than all the farmers of Illinois received for their farm products for 1943. In order to receive even less than $2,000,000,000 it required the work and investment of over 500,000 Illinois farm families working from 12 to 16 hours every day of the year. Yet President Roosevelt tells Senator BARKLEY and the Congress that the $2,000,000,000 additional taxes which would be raised under the bill vetoed, which like all tax measures by reason of numbers falls heaviest on the farmers and laborers of America, is to him, the President, "a mere crust of bread."

Mr. Speaker, the American farmer, laborer and white-collared worker will be found to have little sympathy with the viewpoint of a President who so flippantly shrugs off such an accumulation of the results of their sweat and toil, representing as it does their patriotic effort to maintain their homes while valiantly contributing to the purchase of war bonds to back up the service of their sons on the field of battle.

Mr. Speaker, does not the President know that these patriotic citizens of moderate income are now bearing tax burdens to the very limit of their ability to pay? I am certain that the Congress knows this.

VETO OF THE TAX BILL

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my own remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. O'CONNOR. Mr. Speaker, as one who has differed many times with the President of the United States and one who has voted against measures sponsored by him and as one who voted against the present tax bill, and against the conference report, I find myself unable to agree with the distinguished gentlemen who are advocating the overthrow of the veto of the President. The President asked the Congress after going into the finances of this country for $10,500,000,000 to carry on this war, which is the most vicious, inhuman contest ever waged between nations or men, where the lives of babies, women, and children and innocents are sacrificed, and where our enemies are more than devilish and savage. The Congress responded to the request of the President by the passage of a measure providing for about one-fourth or 25 percent of that asked for. Surely, the President did not want to bleed white the taxpayers of the country unnecessarily. Surely, he must have thought the ten and one-half billion would be the least we could get along with. Surely, he must have thought that we do not want to leave the burden of paying for this war as well as fighting it and dying in it on the boys who are on the seven seas and on the lands everywhere throughout the world, whose voices for the present cannot be heard.

The distinguished chairman of the Ways and Means Committee said the President must have been imposed upon or deceived or both or he would not have signed the message delivered to Congress. I am not so sure that it was the President who was misled or deceived. It may have been the Congress when it responded to the President's call, in the manner in which it did. We must pay taxes if we are going to win this war. I am wondering how the boys who are facing the bullets, bombs, and the dynamite coming from above and in front of them and underneath them, who read the scare headlines in their home papers of the fighting and the quibbling over words that is going on between the White House and the Congress, will feel. I am wondering if they are saying, "What is the use, no cooperation at home, they have only to pay money over there, over here we have to give our blood and our lives. What are we fighting for?"

We are reeling under the impact of a blow to our pride. It has been stung and maybe our intelligence has been challenged. I see nothing in the message to indicate that the Congress did not exercise good faith. Suppose the President has used intemperate language in his veto measure. Suppose he has used reasons for veto that are not compelling aside from the inadequacy of the amount provided for in the bill. Can we under the present war-emergency conditions afford to let it go out over the world to the boys who are fighting and dying for us that we cannot unite and cooperate at home and provide the money with which to fight?

I cannot agree that the President's veto of the tax bill is either a blunder or unwarranted. I for one refuse to be stampeded into a hysterical mood by the loud clamorings of either the press or individuals and I would consider myself other than consistent and fair if I were to vote to override the President's veto. I should consider myself not consistent because I have repeatedly said that the tax bill, particularly as amended by the Senate, is not commensurate with either the needs of the war or our ability to pay, as our ability to pay should be the yardstick. I should consider myself unfair because I would thereby be burdening unborn generations with a debt not of their making and one which could and should have been more properly met at the present time.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, informed the Senate that the House of Representatives, having proceeded to reconsider the bill (H. R. 3687) to provide revenue, and for other purposes, returned by the President of the United States, with his objections, to the House of Representatives, in which it originated, it was

Resolved, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

THE REVENUE ACT—VETO MESSAGE

The VICE PRESIDENT. The Chair lays before the Senate a message from the House of Representatives accompanying a veto message from the President of the United States. Inasmuch as the message from the House had already been read when announced at the door, the clerk will read the message from the President.

The Chief Clerk read as follows:

To the House of Representatives:

I return herewith, without my approval, H. R. 3687, entitled "An act to provide revenue, and for other purposes."

I regret that I find it necessary in the midst of this great war to be compelled to do this in what I regard as the public interest.

Many months ago, after careful examination of the finances of the Nation, I asked the Congress for legislation to raise $10,500,000,000 over and above the existing revenue system. Since then persons prominent in our national life have stated in no uncertain terms that my figure was too low.

The measure before me purports to increase the national revenue by a little over $2,000,000,000. Actually, however, the bill in its net results will enrich the Treasury by less than $1,000,000,000.

As a tax bill, therefore, I am compelled to decide that it is wholly ineffective toward that end.

More specifically the bill purports to provide $2,100,000,000 in new revenues. At the same time it cancels out automatic increases in the social-security tax which would yield $1,100,000,000. In addition it grants relief from existing taxes which would cost the Treasury at least $150,000,000 and possibly much more.

In this respect it is not a tax bill but a tax relief bill providing relief not for the needy but for the greedy.

The elimination of automatic increases provided in the social-security law comes at a time when industry and labor are best able to adjust themselves to such increases. These automatic increases are required to meet the claims that are being built up against the social-security fund. Such a postponement does not seem wise.

The clause relating to renegotiating of war contracts terminates the present renegotiation authority on December 31 of this year. This seems unwise at this time because no person can at present determine what a renegotiation time limit should be. More experience is needed. The formal right of appeal to The Tax Court that is granted by this bill is an inept provision. The present Tax Court exists for a wholly different purpose and does not have the personnel or the time to assume this heavy load.

The bill is replete with provisions which not only afford indefensible special privileges to favored groups but sets dangerous precedents for the future. This tendency toward the embodiment of special privileges in our legislation is in itself sufficiently dangerous to counterbalance the loss of a very inadequate sum in additional revenues.

Among these special privileges are:

(a) Permission for corporations reorganized in bankruptcy to retain the high excess-profits credit and depreciation basis attributable to the contributions of stockholders who are usually eliminated in the reorganization. This privilege inures to the benefit of bondholders who, in many cases, have purchased their bonds in the speculative market for far less than their face value. It may open the door to further windfall profits in this market because of the undeserved benefit received by reorganized corporations.

(b) Percentage depletion allowances, questionable in any case, are now extended to such minerals as vermiculite, potash, feldspar, mica, talc, lepidolite, barite, and spodumene. In the case of some of these minerals, the War Production Board refused to certify that current output was inadequate for war needs.

(c) The lumber industry is permitted to treat income from the cutting of timber, including selective logging, as a capital gain rather than annual income. As a grower and seller of timber, I think that timber should be treated as a crop, and therefore as income when it is sold. This would encourage reforestation.

(d) Natural-gas pipe lines are exempted from the excess-profits tax without justification and in a manner which might well lead oil companies to request similar treatment for their pipe lines.

(e) Commercial air lines are granted an unjustifiable extension of the tax subsidy on their air-mail contracts.

It has been suggested by some that I should give my approval to this bill on the ground that having asked the Congress for a loaf of bread to take care of this war for the sake of this and succeeding generations I should be content with a small piece of crust. I might have done so if I had not noted that the small piece of crust contained so many extraneous and inedible materials.

In regard to that part of the bill which relates to wholly unobjectionable tax increases, may I respectfully suggest to the Congress that the excise taxes can easily and quickly be levied. This can be accomplished by the passage of a simple joint resolution enacting those provisions of the bill which increase the excise taxes. I should be glad to approve such a measure. This would preserve the principal revenue provisions of the bill without the objectionable features I have criticized.

In another most important respect this bill would disappoint and fail the American taxpayers. Every one of them, including ourselves, is disappointed, confused, and bewildered over the practical results of last year's tax bill. The Ruml plan was not the product of this administration. It resulted from a widespread campaign based on the attractive slogan of "Pay as you go." But, as was said many years ago in the State of New York in regard to that same slogan, "You don't pay and you don't go."

The Nation will readily understand that it is not the fault of the Treasury Department that the income taxpayers are flooded with forms to fill out which are so complex that even certified public accountants cannot interpret them. No; it is squarely the fault of the Congress of the United States in using language in drafting the law which not even a dictionary or a thesaurus can make clear.

The American taxpayer has been promised of late that tax laws and returns will be drastically simplified. This bill does not make good that promise. It ignores the most obvious step toward simplifying taxes by failing to eliminate the clumsy Victory tax. For fear of dropping from the tax rolls those taxpayers who are at the bottom of the income scale, the bill retains the Victory tax—while at the same time it grants extensive concessions to many special interest groups.

The suggestion of withholding at graduated rates, which would relieve millions of people of the task of filing declarations of estimated income, was not adopted.

I trust, therefore, that the Congress, after all these delays, will act as quickly as possible for simplification of the tax laws which will make possible the simplification of the forms and computations now demanded of the individual taxpayers. These taxpayers, now engaged in an effort to win the greatest war this

Nation has ever faced, are not in a mood to study higher mathematics.

The responsibility of the Congress of the United States is to supply the Government of the United States as a whole with adequate revenue for wartime needs, to provide fiscal support for the stabilization program, to hold firm against the tide of special privileges, and to achieve real simplicity for millions of small income taxpayers.

In the interest of strengthening the home front, in the interest of speeding the day of victory, I urge the earliest possible action.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, *February 22, 1944.*

The Senate proceeded to reconsider the bill (H. R. 3687) to provide revenue, and for other purposes.

The VICE PRESIDENT. The question is, Shall the bill pass, the objections of the President of the United States to the contrary notwithstanding? Under the Constitution, the vote must be by yeas and nays.

Mr. PEPPER. Mr. President——

MANY SENATORS. Vote! Vote!

The VICE PRESIDENT. The Senator from Florida.

Mr. PEPPER. Mr. President, I am sure that there is no tradition of the Senate which it is more solicitous to preserve than the right of the humblest of its Members upon important or momentous public questions to express their earnest convictions. Many decisions, Mr. President, which we are making in these tumultuous days have reverberations far beyond our poor power to calculate or to imagine. If I thought that today in the few brief words I shall undertake to say I would contribute to anything other than an early victory, a permanent peace, and the general welfare of our Nation and the world, I should say nothing. I have nothing to gain save the inestimable satisfaction of expressing my own sentiments and convictions.

If the vote we are about to take related itself only to the passage or the failure to pass a tax bill, that would be a matter of small concern to the country and the people. If the issue were the right of the legislative branch of the Government to exercise legislative power, anyone who dared to question that right and duty would fly in the face of a direct provision of the Federal Constitution. But, Mr. President, I believe the issue involved goes far deeper than that. I believe I can say that the issue is related to the winning of the war and the future of America; certainly it is directly related to the future of the Democratic Party.

Mr. President, for a little more than 7 years I have been honored by a great State with the right to sit in the Senate. From time to time as I, as a Senator, have cast my votes, I have met in the Senate and in my State the accusation that I was a "yes man" for the President of the United States. I hope, therefore, that my colleagues will indulge me to read one page of a letter written on the 22d day of December 1928 by a young man in a small town on the west coast of Florida, who had just been elected to the State legislature. He was a member of the State Democratic executive committee, and as such received a letter from the Governor-elect of the State of New York, inquiring as to the views of the recipient of the letter as to the future course of the Democratic Party. With the indulgence of my kind colleagues, I should like to read that letter.

PERRY, FLA., *December 22, 1928.*

Hon. FRANKLIN D. ROOSEVELT,
Governor-elect, New York, N. Y.

MY DEAR MR. ROOSEVELT: It was a pleasure to have from you an inquiry as to my opinion of the conduct of the Democratic Party in the future. I may say, I hope, that the people have implicit confidence in your own judgment and rely upon you to furnish to our party its leadership in the coming years. Your public record and your personal characteristics, which are known to all, eminently qualify you for the position. I had the pleasure for a while of living with Mr. Ferdinand A. Hoyt, of your State, who, as he advises, enjoyed service with you in the New York Assembly, and he has been enthusiastic in your praise.

In your letter you suggest the necessity of an aggressive activity from our party during the entire time between this and the next election. That is a capital idea. The Republican Party, in its publicity, has propagated in the public mind, a belief in the inevitable success of that party. Persistent suggestion has led the people to believe that their own welfare depends upon the success of that party. If that were true, good faith would demand that we encourage and not oppose the idea. To those of us, however, who dwell in the conviction that the welfare of the majority of the people lies in the triumph of the principles espoused by the Democratic Party, there is nothing we can becomingly do but urge persistently that those people adopt as their own, those principles, and add to our persuasion the impetus of their own faith.

To do this with constancy and diligence our party must proceed not from excitement but from conviction. The smell of battle and the hope of victory will stir men to tremendous effort. But such effort, having its origin in excitement must wane with the emotional reaction. It is deep-rooted, dogged conviction of right that makes men endure and persist. We must, therefore, make our ranks solid with workers and people of faith who will give their time and their money when the battle is not raging.

I am convinced, however, that we shall not have our greatest success until we make more perfect in the public mind, the concept of what our party is and at what it aims. For one, I want the Democratic Party genuinely to become the liberal party of this Nation. I want it not to compromise upon that matter, because we cannot go to the people with conviction in our eyes unless we are sincere in our liberalism—in our belief that right in this respect is the conferring of the greatest good upon the greatest number. To do that it shall be necessary that we so declare ourselves, that we shall lose some of those who are now with us. They are appreciated; they are as noble as we, but they cannot go with us in a straightforward policy of liberalism in politics. We must stand for principle and not election always. We must be so firm in our allegiance to a utilitarian political philosophy that the people of this Nation shall know upon whom to call when they are convinced that that philosophy is right. Straightforwardness, honesty, and clearness of statement, sincerity of purpose, must characterize our party's relation with the public.

The remaining part of the letter relates to details of organization. The letter is signed by CLAUDE PEPPER.

Mr. CHAVEZ. Mr. President——

Mr. PEPPER. If the Senator will allow me, I am going to take such a short time that I should prefer not to yield.

Mr. CHAVEZ. I should like to ask the Senator a question with reference to the letter, if I may.

Mr. PEPPER. Yes.

Mr. CHAVEZ. When was the letter dated?

Mr. PEPPER. December 22, 1928.

Mr. CHAVEZ. The letter contains expressions of noble principles and noble thoughts on which I wish to congratulate the able Senator from Florida. But can the Senator from Florida tell us what happened in Florida in that particular election?

Mr. PEPPER. Florida in that election went for Mr. Herbert Hoover, and has regretted it ever since. [Laughter.]

Mr. President, I believe, therefore—and I think, Senators, we now have a confirmation of the fact—that the great struggle which has been in progress in this country and in the Congress is because men honestly differ as to what should be the course and the conduct of the majority party. We do not have to indulge in personalities to have differences of opinion. The able Senator from Pennsylvania [Mr. GUFFEY] honored me by presenting what was, of course, my sentiment in the caucus, that I desired the reelection of our distinguished and honorable and able majority leader. We could not have thought of doing otherwise.

But, Mr. President, it is not a question in the future of this country as to what we do about a detail, but if what has happened, if what we do here today in passing upon this bill shall alter the understanding of the Nation concerning the fundamental spirit and character and purpose of the Democratic Party, if there may be any doubt in the public mind that we are no longer the crusading party which has the greatest good of the greatest number as paramount in our purpose, it means a victory at too great cost for the Democratic Party.

I do not ask the country always to keep a liberal party in power. I know how sentiment acts and reacts. I know how the tides from the beginning of time have ebbed and flowed upon the surface of the earth. But at least, Mr. President, it is fitting that we all preserve such character that the people may be able to find us when they want to use us as the instrument of their policy and of their aim.

I do not believe, Mr. President, there is one of us who will doubt that when most of us molder in the sleep of forgetfulness there will be a star that will shine in the history books and in the hearts of mankind, that will be as luminous and as fixed as the North Star. It will be the name of the leader of our party, Franklin D. Roosevelt. He has held up the light of liberalism and of sacrifice. He has been the champion of many causes, of many downcast and oppressed peoples. I believe that when we vote today we will not only be voting on the tax bill—if that were the only issue

I would vote to override the veto—but we will be voting on what is to be the permanent course and character of our party.

I see in the action which I contemplate, for I know I am in the minority, the specter of twenty-odd years ago; I see a country so divided over detail that if they win the war they will lose the peace; they will have such lack of harmony in their action that they will produce an economic chaos which will condemn more millions to sacrifice and toil and poverty, and will retard the progress of mankind, if it does not contribute to the coming of a World War No. 3 to curse and to destroy another generation of noble and guiltless men.

So, Mr. President, when that issue, as I earnestly see it, is presented, there is but one side I can conscientiously take, and that is the side that will be indicated by voting to sustain the veto of the President.

Mr. McKELLAR. Mr. President, yesterday I was instructed by the caucus of the Democratic Members of the Senate to read to the Senate today the wording of a resolution it unanimously adopted:

Whereas Senator ALBEN W. BARKLEY, of Kentucky, has served as majority leader in the Senate of the United States nearly 7 years; and

Whereas throughout this period he has proved his qualities as a legislative leader, in a time of unprecedented difficulty, to such a degree as to command the unqualified confidence of his fellow Democrats and the full respect of the opposition, at all times being capable and courteous, faithful to his trust, diligent and courageous in discharge of his duties, and equal to all the trying demands of his position: Now, therefore, be it

Resolved by the caucus of the Democratic Senators, That we assure Senator BARKLEY of our confidence in him as our leader, of our affectionate regard and abiding respect as a fellow Senator, and of our desire that he shall continue to serve us, our party, and our country in the great post of power and duty to which we have repeatedly called him and which he has honored by service not surpassed in the history of the Senate.

Mr. LUCAS. Mr. President, I rise to take just a moment of the time of the Senate. Much as I like my very able friend the Senator from Florida [Mr. PEPPER], I am forced to disagree with him with respect to the question on which I shall vote today. When I vote upon this measure I shall be voting on pending tax legislation, and that alone.

Mr. President, I wish to say that I am one of the taxpayers of the Nation. I have purchased every bond that my income would permit. I am paying more taxes at this time than ever before. I unhesitatingly and cheerfully say that I am willing to pay more. In fact, Mr. President, I would gladly give to the Government every bond I have if thereby I could help in successfully prosecuting this war, to the end that the basic principles of this Republic shall remain unchanged.

I am a member of the Finance Committee. Few people can thoroughly understand or appreciate the days and weeks which were spent by the committee in the examination and analyzation of the many complex tax problems found in the pending revenue measure.

In all my experience with committee work in the Congress of the United States, I have never attended committee hearings where members were so diligent and interested. Members of the committee in executive session extensively debated the many provisions of the bill in the utmost candor and frankness. I am constrained to say that I should like to have seen written a tax bill which would produce more revenue. I so stated in committee, and nothing has happened since which has changed my mind.

Yet, Mr. President, those who are unfamiliar with this complicated tax procedure sometimes fail to understand the real difficulty legally to reach and tax the new money which has been made through the war effort, without doing real violence to the taxpayers who have not profited through the war effort. It will be recalled that I, along with the Senator from Massachusetts [Mr. WALSH], the Senator from Wisconsin [Mr. LA FOLLETTE], and the Senator from Texas [Mr. CONNALLY], filed minority views on the provisions of the revenue bill dealing with the renegotiation statute. We definitely said in our minority views that we were opposed to unconscionable profiteering. We were opposed to giving anyone a license to make large profits out of war business.

Later, after consultation and conference with the War Department and the Navy Department, we rewrote the present Renegotiation Act, and the act as rewritten apparently is satisfactory to everyone. With that done, Mr. President, the members of the Finance Committee were unanimous in supporting the pending tax measure.

Later on, with a few minor changes the conference reported the bill back to the Senate and it was passed by the Senate with little or no opposition.

Mr. President, in conclusion let me say that I am not unmindful of all that has occurred throughout the hearings upon this measure and since the veto message was sent to the Congress. I do not underestimate the responsibility of my decision. I have weighed this matter with due care and caution. When the roll call comes, and I vote to override the President's veto message, my vote will be cast, Mr. President, in line with what my conscience dictates.

The VICE PRESIDENT. The question is, Shall the bill pass, the objections of the President of the United States to the contrary notwithstanding?

On this question, the yeas and nays are required by the Constitution. The clerk will call the roll.

The legislative clerk called the roll.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent because of illness. I am advised that if he were present and voting he would vote "nay." He is paired with the Senator from California [Mr. JOHNSON] and the Senator from Louisiana [Mr. ELLENDER]. I am advised that if those Senators were present and voting they would vote "yea."

The Senator from Wyoming [Mr. O'MAHONEY] is absent because of illness. I am advised that if he were present and voting he would vote "yea."

The Senator from California [Mr. DOWNEY] is absent on official business for the Senate.

The Senator from Tennessee [Mr. STEWART], the Senator from Oklahoma [Mr. THOMAS], and the Senator from Louisiana [Mr. ELLENDER] are absent on important public business.

I am advised that if present and voting the Senator from Oklahoma [Mr. THOMAS], and the Senator from Louisiana [Mr. ELLENDER] would vote "yea."

Mr. WHERRY. The Senator from Oregon [Mr. MCNARY] is absent because of illness.

The Senator from California [Mr. JOHNSON], the Senator from Kansas [Mr. REED], and the Senator from Wyoming [Mr. ROBERTSON] are necessarily absent.

I am advised that if the three Senators mentioned were present and voting they would vote "yea."

The roll call resulted—yeas 72, nays 14, as follows:

YEAS—72

Aiken	Davis	O'Daniel
Andrews	Eastland	Overton
Austin	Ferguson	Radcliffe
Bailey	George	Revercomb
Ball	Gerry	Reynolds
Bankhead	Gillette	Russell
Barkley	Gurney	Scrugham
Bilbo	Hatch	Shipstead
Brewster	Hawkes	Smith
Bridges	Hayden	Taft
Brooks	Holman	Thomas, Idaho
Buck	Jackson	Tobey
Burton	Johnson, Colo.	Truman
Bushfield	La Follette	Tydings
Butler	Lucas	Vandenberg
Byrd	McCarran	Walsh, Mass.
Capper	McClellan	Walsh, N. J.
Caraway	McFarland	Weeks
Chandler	McKellar	Wheeler
Chavez	Maloney	Wherry
Clark, Idaho	Maybank	White
Clark, Mo.	Millikin	Wiley
Connally	Moore	Willis
Danaher	Nye	Wilson

NAYS—14

Bone	Langer	Thomas, Utah
Green	Mead	Tunnell
Guffey	Murdock	Wagner
Hill	Murray	Wallgren
Kilgore	Pepper	

NOT VOTING—10

Downey	McNary	Stewart
Ellender	O'Mahoney	Thomas, Okla.
Glass	Reed	
Johnson, Calif.	Robertson	

The VICE PRESIDENT. On this question the yeas are 72, and the nays are 14. Two-thirds of the Senators present having voted in the affirmative, the bill is passed, the objections of the President of the United States to the contrary notwithstanding.

In order to prevent any doubt arising as to the time of passage of the bill if the question should arise hereafter, the Chair announces the time as 12:49 p. m.

Mr. BARKLEY. Mr. President, I ask unanimous consent that the clerk read from the desk at this point the letter of the President of the United States addressed to me on February 23, 1944, and my reply to him, dated February 24, 1944.

The VICE PRESIDENT. Without objection, the clerk will read, as requested.

The legislative clerk read as follows:

THE WHITE HOUSE,
Washington, February 23, 1944.

Hon. ALBEN W. BARKLEY,
United States Senate,
Washington, D. C.

DEAR ALBEN: As I am out of the city I am unable to have a personal talk with you. If I were there, of course, that is the first thing I would do.

I regret to learn from your speech in the Senate on the tax veto that you thought I had in my message attacked the integrity of yourself and other Members of the Congress. Such you must know was not my intention. You and I may differ, and have differed on important measures, but that does not mean we question one another's good faith.

In working together to achieve common objectives we have always tried to accommodate our views so as not to offend the other whenever we could conscientiously do so. But neither of us can expect the other to go further.

When on last Monday I read to you portions of my tax message and you indicated your disagreement, I made certain changes as a result of our talk. You did not, however, try to alter my basic decision when you realized how strongly I felt about it. While I did not realize how very strongly you felt about that basic decision, had I known, I should not have tried to dissuade you from exercising your own judgment in urging the overriding of the veto.

I sincerely hope that you will not persist in your announced intention to resign as majority leader of the Senate. If you do, however, I hope your colleagues will not accept your resignation; but if they do, I sincerely hope that they will immediately and unanimously reelect you.

With the many serious problems daily confronting us, it is inevitable that at times you should differ with your colleagues and differ with me. I am sure that your differing with your colleagues does not lessen their confidence in you as leader. Certainly, your differing with me does not affect my confidence in your leadership nor in any degree lessen my respect and affection for you personally.

Very sincerely yours,

FRANKLIN D. ROOSEVELT.

Mr. BARKLEY. Mr. President, I ask that my reply to the President be printed in the RECORD at this point without reading.

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

FEBRUARY 24, 1944.

Hon. FRANKLIN D. ROOSEVELT,
The White House,
Washington, D. C

MY DEAR MR. PRESIDENT: When I reached my home late yesterday afternoon, after the events of the day, Steve Early was waiting with your gracious letter, which he delivered to me in person.

First, let me thank you for your prompt disavowal of any intention to reflect upon my own or the integrity of other Members of the Congress. I accept your statement in this regard at full value and I am happy to feel that it was sincere. If, when I discussed the veto with you on last Monday, I had known that it would be couched in the language which it contained, I would then have protested against it and would have advised you that I would be compelled to reply. However, our argument over the veto related to the measure itself, and when I learned that you had definitely decided to veto the measure notwithstanding any arguments which I had been able to put forward, I felt that there was no further occasion for discussion.

I am sure I need not say to you that I have, during these eventful years, worked with you with an inspiration, a devotion, and a personal affection which has not been approached by any other man, unless it be Woodrow Wilson, at whose feet I sat as a young Member of Congress and learned from him many of the great lessons of liberalism in government and society which I have struggled to advance.

I realize that sometimes language in a written document carries with it connotations not intended by the writer. Sometimes the expressions on one's countenance or the intonations in one's voice indicate a meaning not always carried in the written word. But I feel that upon reflection you will agree that some of the language contained in your veto message was abundantly susceptible of the interpretation which I put upon it in my address to the Senate and which many others put upon it throughout the country.

I am happy to feel, as you have indicated, that you had no such purpose in mind.

I realize that in these terrific times you are burdened with a responsibility no American President has ever borne. Throughout this perilous period my heart has gone out to you in sympathetic understanding, not only of your great responsibility but your high purpose in meeting that responsibility. I want you to know that that faith in you endures in me today and will continue to endure, because I have recognized in you a spokesman of the people, whose chief desire was to advance their welfare and their happiness.

We have on some occasions disagreed as to policies, and we have sometimes disagreed as to methods. Frequently I have submerged my own views in recognition of your more intimate knowledge and your greater responsibility. Sometimes you have yielded your views to mine. In all these circumstances we have maintained a mutual respect, which I have deeply appreciated.

But it seems to me there is something broader and more fundamental than any personal acquiescence as between you and me over matters of public policy and fundamental principle. In this great crisis of our Nation's history we must all seek some common ground upon which we can meet and have confidence in one another. That applies to all the branches of our Government. If we cannot trust one another in this tragic period of the history of our Nation and of the world, how can the people trust us?

I want you to know that you have my utmost confidence and affection, and the personal and official relations which have been to me a source of infinite pride I hope may be continued.

In view of all that had happened, I felt compelled to tender my resignation as majority leader at the Democratic conference today. The conference unanimously accepted it and then unanimously reelected me as majority leader. In spite of my own personal preference to yield this responsibility to some other, in view of their earnest and unanimous action, and in view of your own generous and manly statement to me, I have accepted again the majority leadership of the Senate.

I fervently trust that this incident may be instrumental in bringing the executive and legislative departments closer together in fullest cooperation to the end that we may win this terrible war at the earliest possible moment, bring all of our armed forces back to their homes and loved ones, and be instrumental in bringing to a downhearted and distressed world peace at last.

With great respect, I am,

Cordially and sincerely yours,

ALBEN W. BARKLEY.

MESSAGE FROM THE SENATE

The message also announced that the Senate having proceeded to reconsider the bill (H. R. 3687) entitled "An act to provide revenue, and for other purposes," returned by the President of the United States with his objections to the House of Representatives, in which it originated, and passed by the House of Representatives, on reconsideration of the same, it was

Resolved, That the said bill pass, two-thirds of the Senate having voted in the affirmative.

[PUBLIC LAW 235—78TH CONGRESS]

[CHAPTER 63—2D SESSION]

[H. R. 3687]

AN ACT

To provide revenue, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the "Revenue Act of 1943":

[In the following table, a section number enclosed in parentheses following the description of the subject matter of a section, subsection, or paragraph of this Act indicates each provision of the Internal Revenue Code amended by such section, subsection, or paragraph of this Act.]

TABLE OF CONTENTS

TITLE IX—SOCIAL SECURITY TAXES

SEC. 901. AUTOMATIC INCREASE IN 1944 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar year 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 per centum."

SEC. 902. APPROPRIATIONS TO THE TRUST FUND.

Section 201 (a) of the Social Security Act, as amended, is further amended by adding at the end of the subsection the following:

"There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title."

SAM RAYBURN
Speaker of the House of Representatives.
CLAUDE PEPPER
Acting President of the Senate pro tempore.

IN THE HOUSE OF REPRESENTATIVES, U. S.,
February 24, 1944.

The House of Representatives having proceeded to reconsider the bill (H. R. 3687) entitled "An Act to provide revenue, and for other purposes", returned by the President of the United States with his objections, to the House of Representatives, in which it originated, it was

Resolved, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

Attest: SOUTH TRIMBLE
Clerk.

I certify that this Act originated in the House of Representatives.
SOUTH TRIMBLE
Clerk.

IN THE SENATE OF THE UNITED STATES,
February 25 (legislative day, February 7), 1944.

The Senate having proceeded to reconsider the bill (H. R. 3687) entitled "An Act to provide revenue, and for other purposes", returned by the President of the United States with his objections, to the House of Representatives, in which it originated, and passed by the House of Representatives on reconsideration of the same, it was

Resolved, That the said bill pass, two-thirds of the Senate having voted in the affirmative.

Attest: EDWIN A. HALSEY
Secretary.

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1215

CLARIFICATION OF CERTAIN SERVICES PERFORMED BY SEAMEN

MARCH 1, 1944.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. BLAND, from the Committee on the Merchant Marine and Fisheries, submitted the following

REPORT

[To accompany H. R. 3259]

The Committee on the Merchant Marine and Fisheries, to whom was referred the bill (H. R. 3259) to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Page 1, line 8, after the word "amended" and before the word "by" insert a comma and the following: "effective as of the effective date or dates of said subsection (i)" and a comma.

Page 2, line 5, after the word "country" and before the quotation mark insert the following: "and bare-boat chartered to the War Shipping Administration".

Page 2, line 7, after the word "amended" and before the word "by" insert a comma and the following: "effective as of the effective date or dates of said subsection (o) (1)" and a comma.

Page 2, line 13, after the word "country" and before the quotation mark insert the following: "and bare boat chartered to the War Shipping Administration".

The first and third amendments are intended to make the second and fourth amendments effective as of the original effective date of the provisions of the law amended thereby.

The second and fourth amendments change the operative effect of the original bill so that the amendments therein would apply in case of foreign-flag vessels only if they were bare boat chartered to the War Shipping Administration and would leave the present law in

operation with respect to foreign-flag vessels owned by War Shipping Administration.

General Statement

EXISTING LAW

Section 1 (b) of Public Law 17 (57 Stat. 45) approved March 24, 1943, was designed to place services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States (employed through the War Shipping Administration or the United States Maritime Commission) within the definition of covered employment contained in section 1426 of the Internal Revenue Code (Federal Insurance Contributions Act) and section 209 of the Social Security Act (relating to old-age and survivors insurance benefit provisions). Prior to the enactment of Public Law 17, such services, when performed for the United States Government as employer, were not considered covered under the laws referred to. The broad coverage of such services under section 1 (b) of Public Law 17 has had the unintended effect of including within the definition of "employment" certain types of services performed by seamen which would not be covered under the old-age benefit provisions of the Social Security Act (and the corresponding tax law) had they been performed for private shipping operators.

Purpose of the Bill

It is the purpose of H. R. 3259 from the standpoint of the laws dealing with such old-age and survivors' insurance benefits, to bring the treatment of services performed by seamen employed by the War Shipping Administration or the United States Maritime Commission in line with that applicable to similar services when performed by seamen for private shipping operators. This would be accomplished by excluding from old-age benefits coverage, first, services performed under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States; second, services performed on a vessel documented under the laws of any foreign country. Services of the first description would not be considered covered employment for purposes of the old-age benefits statutes, but, under Public Law 17, when performed on behalf of the War Shipping Administration (or the United States Maritime Commission) they are covered employment. Two sets of similar amendments to section 1 (b) are necessary to effect the desired changes.

The effect of the statute in its present form may be illustrated by the following example: A vessel owned or bare boat chartered by the War Shipping Administration signs on a crew at San Francisco and sails from that port for Sydney, Australia. When it arrives in Australia, one of the crew is hospitalized and it becomes necessary to sign on a replacement. Should that individual perform services entirely outside the United States and sign off before the vessel touches a United States port, his services would not be considered covered employment when performed for a private shipping operator as his employer; under the statute a different result follows when such services are performed for the War Shipping Administration or the United States Maritime Commission.

The War Shipping Administration representatives in Australia are having difficulties in deducting old-age benefit contributions from the wages paid to seamen who are signed on and who sign off in a foreign country under the circumstances indicated in the illustration. Most of the seamen hired under these circumstances are nonresident aliens of the United States who will be in no position to build up and are not interested in accumulating such quarters of coverage as are necessary to entitle them to benefits under our Social Security Act. The amendment suggested will remedy a situation which at times has interfered with securing replacements in foreign countries to serve on War Shipping Administration vessels. Only relatively small sums of money are involved. As a matter of policy there appears to be no justification for treating these services, when performed for the War Shipping Administration or the United States Maritime Commission, on a basis different from such services when performed for private shipping operators.

Services of the second description (i. e., performed on foreign-flag vessels) when performed by a seaman for a private shipping operator on a vessel documented under the laws of a foreign country would not be considered covered employment, but, when such services are performed by a seaman as an employee of the War Shipping Administration (or the U. S. Maritime Commission) they would under Public Law 17, be treated as covered employment. Since the passage of Public Law 17 shipping and military needs have required War Shipping Administration to make use of the shipping facilities and the skilled seamen of the United Nations by operating a substantial number of foreign flag vessels on bare-boat charter, with employment therein of groups of nonresident alien seamen. The services performed by these seamen should be excluded from covered employment for purposes of old-age benefits since they are performed on vessels documented under the laws of a foreign country. This does not involve any change in the basic policy of the old-age and survivors' insurance law which excludes from covered employment services on foreign flag vessels when performed by seamen who are privately employed.

The committee amendments relate to services of the second description and would exclude from coverage such services only when they are rendered on vessels bare-boat chartered to the War Shipping Administration. Your committee deem it desirable to continue the present coverage of services performed by seamen on vessels owned by the United States even though they are operated under foreign flag.

Public Law 17 and the amendments proposed thereto by H. R. 3259 will be effective during the period prior to the termination of title I of the First War Powers Act of 1941, and retroactively with respect to services performed since September 30, 1941. They are war measures designed to extend old-age-benefit coverage during the war period. No change in the basic policy of the social-security laws is involved and in the opinion of the War Shipping Administration the amendments proposed will facilitate the more effective prosecution of the war effort.

There are appended hereto the favorable reports of the Federal Security Agency and the War Shipping Administration. The Bureau of the Budget has advised that it has no objection.

FEDERAL SECURITY AGENCY,
Washington 25, October 9, 1943.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington 25, D. C.

DEAR MR. CHAIRMAN: This is in response to your letter of September 22, 1943, asking for the views and recommendations of this Agency with regard to H. R. 3259, a bill to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

Section 1 (b) of Public Law 17 of the Seventy-eighth Congress, which would be amended by the enactment of this bill, extends the coverage of the old-age and survivors' insurance program to seamen employed by the War Shipping Administration. The proposed amendment would exclude from such coverage seamen whose services are performed on foreign-flag vessels or are contracted for and performed wholly outside the United States. This limitation seems to me to be reasonable and proper in view of the administrative difficulties which would probably be encountered in the coverage of the services which are proposed to be excluded. The proposal is substantially in line with existing limitations on the coverage of privately employed seamen under the Federal Insurance Contributions Act and title II of the Social Security Act.

In view of the committee's wish that it be furnished this report in advance of its hearing on October 12, 1943, and the consequent shortness of time available for its preparation, no advice has been obtained from the Bureau of the Budget as to its relationship to the program of the President.

Sincerely yours,

PAUL V. MCNUTT, *Administrator.*

WAR SHIPPING ADMINISTRATION,
Washington 25, D. C., October 9, 1943.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives.

DEAR JUDGE BLAND: Under date of September 22, 1943, you requested the views of the War Shipping Administration with respect to H. R. 3259, a bill to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

The bill, if enacted, will exclude from employment, covered under the Federal Insurance Contributions Act (sec. 1426 (i) of the Internal Revenue Code) and the old-age benefit provisions of the Social Security Act (sec. 209 (o), Social Security Act), services performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States or (2) on a vessel documented under the laws of any foreign country.

Section 1426 of the Internal Revenue Code and section 209 of the Social Security Act define the term "employment" to include any service of whatever nature performed within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except those services which are specifically exempt under such acts. In addition, services outside the United States may be covered under the above acts if they are performed on or in connection with an American vessel outside the United States, if the employee is employed on and in connection with such vessel outside the United States, if the services are performed under a contract of service entered into within the United States or during the performance of which the vessel touches at a port within the United States, and if the services are not specifically exempted. Prior to the enactment of Public Law No. 17, Seventy-eighth Congress, first session, approved on March 24, 1943, services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States, employed through the War Shipping Administration, or the United States Maritime Commission, were not within the definition of employment in sections 1426 and 209 referred to above.

Public Law No. 17 amended section 1426 of the Internal Revenue Code and section 209 of the Social Security Act so as to include within the term "employment" services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States, employed through the War Shipping Administration or the United States Maritime Commission. The broad coverage of services performed by seamen as employees of the United States through the agencies above-named has had the effect of including within the definition of "employment" certain services which would not be covered employment if performed for private employers. Services rendered by a seaman for a private shipping operator under a contract of employment entered into without the United States where, during the performance of the services, the vessel does not touch at a port in the United States, would not be considered covered employment in view of section 1426 (b), Internal Revenue Code, and section 209 (b) of the Social Security Act, as amended. Section 1426 (i), Internal Revenue Code, and section 209 (o) of the Social Security Act, as amended, added by Public Law 17, have the effect of making such services, when performed on behalf of the War Shipping Administration or the United States Maritime Commission, covered employment.

Services performed by a seaman for a private shipping operator, on a vessel documented under the laws of a foreign country, would not be considered covered employment (see sec. 1426 (b) and (g), Internal Revenue Code, and sec. 209 (b) and (d) of the Social Security Act, as amended). Yet, if those services are performed by a seaman as an employee of the War Shipping Administration or the United States Maritime Commission, they would be treated as covered employment under section 1426 (i) of the Internal Revenue Code and section 209 (a) of the Social Security Act.

The coverage, under the Federal Insurance Contributions Act and the old-age and survivors insurance provisions of the Social Security Act, of services performed by seamen employed by the War Shipping Administration (or the United States Maritime Commission) should be in line with the treatment of similar services performed for private shipping operators. Situations have arisen since the passage of Public Law 17, which make this a more important consideration than was contemplated at the time of enactment of Public Law 17. The War Shipping Administration, in order to make the most effective use of all available shipping facilities and skilled seamen of the United Nations, operates an increasing number of foreign-flag vessels on bare-boat charter, agreeing to retain the vessel's flag and becoming the employer of groups of nonresident alien seamen. The services performed by these seamen should be excluded from covered employment, for purposes of old-age and survivors insurance benefits, since they are rendered on vessels documented under laws of a foreign country. This does not involve any change in basic policy of the social-security laws which exclude from covered employment services on such vessels by seamen privately employed.

In view of these considerations, the War Shipping Administration favors the enactment of the bill. Since hearings on the bill are scheduled for October 12, 1943, this report is being submitted to you without awaiting clearance by the Bureau of the Budget. Therefore, nothing herein should be construed as an indication of the relation of the proposed legislation to the program of the President.

Sincerely yours,

E. S. LAND, *Administrator.*

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; existing law in which no change is made is in roman; and new language is in italics):

Section 1426 (i) of the Internal Revenue Code (subsec. (i) in sec. 1 (b) (1) of Public Law 17, 78th Cong.) (sec. 1 of H. R. 3259):

(i) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the

United States Maritime Commission, *but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country.* The term "wages" means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection.

Section 209 (o) (1) of the Social Security Act (subsec. (o) (1) in sec. 1 (b) (2) of Public Law 17, 78th Cong.) (sec. 2 of H. R. 3259):

(o) (1) OFFICERS AND MEMBERS OF CREWS EMPLOYED BY WAR SHIPPING ADMINISTRATION.—The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration or, in respect of such service performed before February 11, 1942, the United States Maritime Commission, ***but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country.***

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shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country."

SEC. 2. Subsection (o) (1) in section 1 (b) (2) of the said act of March 24, 1943, is amended by inserting before the period at the end thereof a comma and the following: "but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country."

With the following committee amendments:

Page 1, line 8, after the word "amended" and before the word "by", insert a comma and the following: "effective as of the effective date or dates of said subsection (1)" and a comma.

Page 2, line 5, after the word "country" and before the quotation mark, insert the following: "and bare-boat chartered to the War Shipping Administration."

Page 2, line 7, after the word "amended" and before the word "by", insert a comma and the following: "effective as of the effective date or dates of said subsection (o) (1)" and a comma.

Page 2, line 13, after the word "country" and before the quotation mark insert the following: "and bare boat chartered to the War Shipping Administration."

The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

CLARIFICATION OF CERTAIN SERVICES PERFORMED BY SEAMEN

The Clerk called the next bill, H. R. 3259, to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the first sentence of subsection (1) in section 1 (b) (1) of the act entitled "An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes," approved March 24, 1943 (Public Law 17, 78th Cong.; 57 Stat. 45), is amended by inserting before the period thereof a comma and the following: "but

shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country."

SEC. 2. Subsection (o) (1) in section 1 (b) (2) of the said act of March 24, 1943, is amended by inserting before the period at the end thereof a comma and the following: "but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country."

With the following committee amendments:

Page 1, line 8, after the word "amended" and before the word "by", insert a comma and the following: "effective as of the effective date or dates of said subsection (1)" and a comma.

Page 2, line 5, after the word "country" and before the quotation mark, insert the following: "and bare-boat chartered to the War Shipping Administration."

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The committee amendments were agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

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The Clerk called the next bill, H. R. 3259, to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the present consideration of the bill?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That the first sentence of subsection (1) in section 1 (b) (1) of the act entitled "An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes," approved March 24, 1943 (Public Law 17, 78th Cong.; 57 Stat. 45), is amended by inserting before the period thereof a comma and the following: "but

Calendar No. 801

78TH CONGRESS, 2d Session | SENATE | REPORT No. 790

CLARIFYING THE APPLICATION OF SECTION 1 (b) OF PUBLIC LAW 17, SEVENTY-EIGHTH CONGRESS, TO CERTAIN SERVICES PERFORMED BY SEAMEN

MARCH 29 (legislative day, FEBRUARY 7), 1944.—Ordered to be printed

Mr. RADCLIFFE, from the Committee on Commerce, submitted the following

REPORT

[To accompany H. R. 3259]

The Committee on Commerce, to whom was referred the bill (H. R. 3259) to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

EXISTING LAW

Section 1 (b) of Public Law 17 (57 Stat. 45) approved March 24, 1943, was designed to place services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States (employed through the War Shipping Administration or the United States Maritime Commission) within the definition of covered employment contained in section 1426 of the Internal Revenue Code (Federal Insurance Contributions Act) and section 209 of the Social Security Act (relating to old-age and survivors insurance benefit provisions). Prior to the enactment of Public Law 17, such services, when performed for the United States Government as employer, were not considered covered under the laws referred to. The broad coverage of such services under section 1 (b) of Public Law 17 has had the unintended effect of including within the definition of "employment" certain types of services performed by seamen in the employ of the United States which would not be covered under the old-age benefit provisions of the Social Security Act (and the corresponding tax law) had they been performed for private shipping operators.

Purpose of the Bill

The War Shipping Administration, in meeting shipping and military requirements, bareboat charters foreign-flag vessels and employs as part of the crews thereon groups of nonresident alien seamen. It also hires seamen outside the United States who serve only in areas outside the United States. Service performed by seamen employed on such foreign-flag vessels and by seamen employed in such foreign services would not be considered covered employment if performed for private employers. In many cases these seamen being aliens or serving only outside the United States, usually only for temporary and uncertain periods, are not interested in the coverage. In some cases they object to the deductions for this purpose from their pay because there is not likely to be sufficient length of service to accumulate credits necessary to entitle them or their dependents to benefits at retirement or death.

It is the purpose of H. R. 3259 from the standpoint of the laws dealing with such old-age and survivors' insurance benefits, to bring the treatment of services performed by seamen employed by the War Shipping Administration or the United States Maritime Commission in line with that applicable to similar services when performed by seamen for private shipping operators. This would be substantially accomplished by excluding from old-age benefits coverage, first services performed under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States; second, services performed on a vessel bareboat-chartered to the War Shipping Administration and documented under the laws of any foreign country.

Services of the first description would not be considered covered employment for purposes of the old-age benefits statutes, but, under Public Law 17, when performed on behalf of the War Shipping Administration (or the United States Maritime Commission) they are covered employment.

With respect to this type of service the effect of the statute in its present form may be illustrated by the following example: A vessel owned or bareboat-chartered by the War Shipping Administration signs on a crew at San Francisco and sails from that port for Sydney, Australia. When it arrives in Australia, one of the crew is hospitalized and it becomes necessary to sign on a replacement. Should that individual perform services entirely outside the United States and sign off before the vessel touches a United States port, his services would not be considered covered employment when performed for a private shipping operator as his employer; under the statute a different result follows when such services are performed for the War Shipping Administration or the United States Maritime Commission.

The War Shipping Administration representatives in Australia are having difficulties in deducting old-age benefit contributions from the wages paid to seamen who are signed on and who sign off in a foreign country under the circumstances indicated in the illustration. Most of the seamen hired under these circumstances are nonresident aliens of the United States who will be in no position to build up and are not interested in accumulating such quarters of coverage as are necessary to entitle them to benefits under our Social Security Act. The amendment suggested will remedy a situation which at times has

interfered with securing replacements in foreign countries to serve on War Shipping Administration vessels. Only relatively small sums of money are involved. As a matter of policy there appears to be no justification for treating these services, when performed for the War Shipping Administration or the United States Maritime Commission, on a basis different from such services when performed for private shipping operators.

Services of the second description (i. e., performed on foreign-flag vessels) when performed by a seaman for a private shipping operator on a vessel documented under the laws of a foreign country would not be considered covered employment, but, when such services are performed by a seaman as an employee of the War Shipping Administration (or the U. S. Maritime Commission) they would under Public Law 17, be treated as covered employment. Since the passage of Public Law 17 shipping and military needs have required War Shipping Administration to make use of the shipping facilities and the skilled seamen of the United Nations by operating a substantial number of foreign-flag vessels on bare-boat charter, with employment therein of groups of nonresident alien seamen. The services performed by these seamen should be excluded from covered employment for purposes of old-age benefits since they are performed on vessels documented under the laws of a foreign country. This does not involve any change in the basic policy of the old-age and survivors insurance law which excludes from covered employment services on foreign-flag vessels when performed by seamen who are privately employed. The exclusion from coverage of such services when they are rendered on vessels bare-boat chartered to the War Shipping Administration will take care of most of the difficulties which the War Shipping Administration has been experiencing in making the necessary old-age and survivors insurance benefits tax deductions from seamen working as employees of the War Shipping Administration on foreign-flag vessels.

The amendments proposed thereto by H. R. 3259 will be effective during the period prior to the termination of title I of the First War Powers Act of 1941, and retroactively with respect to services performed since September 30, 1941. They are war measures designed to extend old-age-benefit coverage during the war period. No change in the basic policy of the social-security laws is involved and in the opinion of the War Shipping Administration the amendments proposed will facilitate the more effective prosecution of the war effort.

There are appended hereto the favorable reports of the Federal Security Agency and the War Shipping Administration. The Bureau of the Budget has advised that it has no objection (letter of November 3, 1943).

FEDERAL SECURITY AGENCY,
Washington 25, October 9, 1943.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives, Washington 25, D. C.

DEAR MR. CHAIRMAN: This is in response to your letter of September 22, 1943, asking for the views and recommendations of this Agency with regard to H. R. 3259, a bill to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

Section 1 (b) of Public Law 17 of the Seventy-eighth Congress, which would be amended by the enactment of this bill, extends the coverage of the old-age and survivors' insurance program to seamen employed by the War Shipping Administration. The proposed amendment would exclude from such coverage seamen whose services are performed on foreign-flag vessels or are contracted for and performed wholly outside the United States. This limitation seems to me to be reasonable and proper in view of the administrative difficulties which would probably be encountered in the coverage of the services which are proposed to be excluded. The proposal is substantially in line with existing limitations on the coverage of privately employed seamen under the Federal Insurance Contributions Act and title II of the Social Security Act.

In view of the committee's wish that it be furnished this report in advance of its hearing on October 12, 1943, and the consequent shortness of time available for its preparation, no advice has been obtained from the Bureau of the Budget as to its relationship to the program of the President.

Sincerely yours,

PAUL V. MCNUTT, *Administrator.*

WAR SHIPPING ADMINISTRATION,
Washington 25, D. C., October 9, 1943.

Hon. S. O. BLAND,
Chairman, Committee on the Merchant Marine and Fisheries,
House of Representatives.

DEAR JUDGE BLAND: Under date of September 22, 1943, you requested the views of the War Shipping Administration with respect to H. R. 3259, a bill to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

The bill, if enacted, will exclude from employment covered under the Federal Insurance Contributions Act (sec. 1426 (i) of the Internal Revenue Code) and the old-age benefit provisions of the Social Security Act (sec 209 (o), Social Security Act), services performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States or (2) on a vessel documented under the laws of any foreign country.

Section 1426 of the Internal Revenue Code and section 209 of the Social Security Act define the term "employment" to include any service of whatever nature performed within the United States by an employee for the person employing him, irrespective of the citizenship or residence of either, except those services which are specifically exempt under such acts. In addition, services outside the United States may be covered under the above acts if they are performed on or in connection with an American vessel outside the United States, if the employee is employed on and in connection with such vessel outside the United States, if the services are performed under a contract of service entered into within the United States or during the performance of which the vessel touches at a port within the United States, and if the services are not specifically exempted. Prior to the enactment of Public Law No. 17, Seventy-eighth Congress, first session, approved on March 24, 1943, services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States, employed through the War Shipping Administration, or the United States Maritime Commission, were not within the definition of employment in sections 1426 and 209 referred to above.

Public Law No. 17 amended section 1426 of the Internal Revenue Code and section 209 of the Social Security Act so as to include within the term "employment" services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States, employed through the War Shipping Administration or the United States Maritime Commission. The broad coverage of services performed by seamen as employees of the United States through the agencies above-named has had the effect of including within the definition of "employment" certain services which would not be covered employment if performed for private employers. Services rendered by a seaman for a private shipping operator under a contract of employment entered into without the United States where, during the performance of the services, the vessel does not touch at a port in the United States, would not be considered covered employment in view of section 1426 (b), Internal Revenue Code, and section 209 (b) of the Social Security Act, as amended. Section 1426 (i), Internal Revenue Code, and section 209

(o) of the Social Security Act, as amended, added by Public Law 17, have the effect of making such services, when performed on behalf of the War Shipping Administration or the United States Maritime Commission, covered employment.

Services performed by a seaman for a private shipping operator, on a vessel documented under the laws of a foreign country, would not be considered covered employment (see sec. 1426 (b) and (g), Internal Revenue Code, and sec. 209 (b) and (d) of the Social Security Act, as amended). Yet, if those services are performed by a seaman as an employee of the War Shipping Administration or the United States Maritime Commission, they would be treated as covered employment under section 1426 (i) of the Internal Revenue Code and section 209 (a) of the Social Security Act.

The coverage, under the Federal Insurance Contributions Act and the old-age and survivors insurance provisions of the Social Security Act, of services performed by seamen employed by the War Shipping Administration (or the United States Maritime Commission) should be in line with the treatment of similar services performed for private shipping operators. Situations have arisen since the passage of Public Law 17, which make this a more important consideration than was contemplated at the time of enactment of Public Law 17. The War Shipping Administration, in order to make the most effective use of all available shipping facilities and skilled seamen of the United Nations, operates an increasing number of foreign-flag vessels on bare-boat charter, agreeing to retain the vessel's flag and becoming the employer of groups of nonresident alien seamen. The services performed by these seamen should be excluded from covered employment, for purposes of old-age and survivors insurance benefits, since they are rendered on vessels documented under laws of a foreign country. This does not involve any change in basic policy of the social-security laws which exclude from covered employment services on such vessels by seamen privately employed.

In view of these considerations, the War Shipping Administration favors the enactment of the bill. Since hearings on the bill are scheduled for October 12, 1943, this report is being submitted to you without awaiting clearance by the Bureau of the Budget. Therefore, nothing herein should be construed as an indication of the relation of the proposed legislation to the program of the President.

Sincerely yours,

E. S. LAND, *Administrator.*

O

APPLICATION OF SOCIAL SECURITY LAWS TO CERTAIN SEAMEN

The bill (H. R. 3259) to clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration was considered, ordered to a third reading, read the third time, and passed.

[PUBLIC LAW 285—78TH CONGRESS]

[CHAPTER 161—2D SESSION]

[H. R. 3259]

AN ACT

To clarify the application of section 1 (b) of Public Law 17, Seventy-eighth Congress, to certain services performed by seamen as employees of the United States through the War Shipping Administration.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first sentence of subsection (i) in section 1 (b) (1) of the Act entitled "An Act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes", approved March 24, 1943 (Public Law 17, Seventy-eighth Congress; 57 Stat. 45), is amended, effective as of the effective date or dates of said subsection (i), by inserting before the period thereof a comma and the following: "but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country and bareboat chartered to the War Shipping Administration".

SEC. 2. Subsection (o) (1) in section 1 (b) (2) of the said Act of March 24, 1943, is amended, effective as of the effective date or dates of said subsection (o) (1), by inserting before the period at the end thereof a comma and the following: "but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country and bareboat chartered to the War Shipping Administration".

Approved April 4, 1944.

Union Calendar No. 666

78TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 2010

FIX RATE OF TAX UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT ON EMPLOYER AND EMPLOYEE FOR CALENDAR YEAR 1945

DECEMBER 1, 1944.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DOUGHTON of North Carolina, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 5564]

The Committee on Ways and Means, to whom was referred the bill (H. R. 5564) to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945, having considered the same, report favorably without amendment thereon and recommend that the bill do pass.

This bill provides for "freezing" the rate of tax on pay rolls and wages for old-age and survivors' benefits on employees and employers at the rate of 1 percent for the year 1945, thus postponing an increase to 2 percent on employers and employees as would otherwise result under existing law. Your committee is convinced that it is not necessary to double existing rates for 1945 in order to protect the solvency of the old-age and survivors' insurance fund.

When the social security law was amended in 1939, your committee and the Congress were both definitely of the opinion that the reserve contemplated in the original act, and variously estimated under the original schedule of tax rates to reach from 47 billion to 49 billion dollars, was not necessary for the solvency of the fund.

The estimate furnished to the committee and the Congress in 1939 indicated that the reserve would amount to $3,122,000,000 in 1944 with a graduated schedule of tax rates. However, the reserve has now reached the sum of approximately $6,000,000,000 with a tax rate of 1 percent on employee and employer, and will approximate $7,250,000,000 by the end of 1945. Thus the reserve fund will be more than 2 times the amount that was contemplated under the estimates used when the social security system was revised in 1939, and was placed on what was then considered to be a sound actuarial

basis. In the hearings of 1939, the Secretary of the Treasury, Mr. Morgenthau, testified as follows:

> Specifically, I would suggest to Congress that it plan the financing of the old-age insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to not more than 3 times the highest prospective annual benefits in the ensuing 5 years.

Congress has upon three occasions applied this rule and as a result has three times postponed the statutory increase in pay-roll taxes. Your committee finds that the old-age reserve as of June 30, 1944, was $5,450,000,000, and approximately $6,000,000,000 as of the end of this year and that according to the most recent estimates of the Social Security Board the highest annual expenditure will be between $450,000,000 and $700,000,000 in the next 5 years. Therefore, the existing reserve is from 8 to 12 times the highest annual expenditure instead of 3 times, as recommended by the Secretary of the Treasury.

It should also be pointed out that the tax collections at 1 percent on employee and 1 percent on employer now exceed the amount originally anticipated from the higher tax rate provided in the Social Security Act as amended in 1939. Tax collections, even with the tax rate retained at 1 percent on employee and employer respectively, have substantially exceeded the estimates furnished in 1939 and the benefits paid have fallen far below the estimates furnished to the Congress in 1939. Therefore, since the automatic increase in tax to 2 percent on employer and employee, respectively, effective next January is unnecessary for benefit payments (for many years to come), or for the maintenance of a contingent reserve 3 times the highest anticipated expenditure in the next 5 years, we submit that these taxes should not be doubled at this time.

The committee does not feel that any unnecessary increase in the existing high tax burden should be made now in view of the problems of reconversion from war to peace that soon will confront us and which must be solved. It should be clearly understood that this legislation has no connection with the question of expansion of social security benefits or coverage, but refers solely to the problem of financing existing benefits and coverage. It does not involve in any way, benefit payments under the old-age assistance or so-called old-age pension systems which are paid out of annual appropriations.

As has been stated, actual experience in the operation of the system has demonstrated the inaccuracy of the estimates made only 5 years ago to say nothing of those made in 1935.

In order that your committee may have the benefit of expert advice based upon the experience of the past 9 years, it has unanimously voted to commence a study, at an early date, of what constitutes an adequate contingent reserve fund and the rates required to produce and maintain that fund on a sound financial basis.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in the Federal Insurance Contributions Act made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SEC. 1400. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943 [and] 1944, *and 1945*, the rate shall be 1 per centum.

[(2) With respect to wages received during the calendar year 1945, the rate shall be 2 per centum.]

[3] *(2)* With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

[(4)] *(3)* With respect to wages received after December 31, 1948, the rate shall be 3 per centum.

* * * * *

SEC. 1410. RATE OF TAX.

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, [and] 1944, *and 1945*, the rate shall be 1 per centum.

[(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 per centum.]

[(3)] *(2)* With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

[(4)] *(3)* With respect to wages paid after December 31, 1948, the rate shall be 3 per centum.

DISSENTING VIEWS

The undersigned members of the Ways and Means Committee respectfully submit their dissenting views relative to H. R. 5564, which has been favorably reported by the majority of the committee.

We deeply regret that our considered opinion with respect to this bill is at variance with a majority of our colleagues and that we cannot concur in the recommendation that the bill should be reported favorably.

The bill reported by a majority of the committee will prevent the rate of contributions under the Federal old-age and survivors insurance system from increasing on January 1, 1945, in accordance with the schedule contained in the present law. We believe this action to be unwise and detrimental to the basic principles underlying a contributory social-insurance system. Our reasons are summarized as follows:

SUMMARY OF OBJECTIONS TO THE BILL

1. The success of a contributory system of social insurance is at stake.

We believe that the very success of this contributory social-insurance system which Congress established in 1935 is at stake and not merely the fixing of a tax rate in the usual sense of the term. The Congress of the United States in 1935 took a long step forward in undertaking to substitute for a hit-and-miss method of relieving destitution through a Government dole a systematic long-range method known as contributory social insurance. Under a system of contributory social insurance, benefits are paid as a matter of right without a means or a needs test and are related in an equitable manner to the length of time a person has been insured and the amount of his past earnings. An essential characteristic of any contributory social-insurance system is that the benefits are financed wholly or in large part from contributions made by or on behalf of the beneficiaries. It is just as true of a social-insurance system as of any insurance system that its security depends upon the certainty and soundness of the methods used to finance it. In financing a contributory social-insurance system it is necessary to make certain that the promises made today to pay benefits in the future can be and will be fulfilled. Under a social-insurance system providing old-age annuities based upon the length of time insured initial costs are low and ultimate costs are high. In the case of this social-insurance system it has been estimated that the eventual annual cost will be 15 to 20 times what they are today.

2. The cost of benefits promised is far in excess of the contributions being collected.

None of the witnesses appearing before the committee placed the average annual cost of this insurance system at less than 4 percent of pay roll. Some of the estimates placed the average annual cost as

high as 7 percent and the eventual annual cost as high as 11 percent. Therefore, it is obvious that the actuarial soundness of this insurance system will continue to deteriorate so long as the current rate of contributions is kept at the present low level. Even if we accept the lowest estimate of 4 percent average annual cost, it may be said that the reserve fund of this system already has a deficit of $6,600,000,000. If we take the higher estimate of 7 percent average annual cost, it may be said that the reserve fund already has a deficit of about $16,500,000,000. The fact that we are collecting as much at the present 1-percent rate as it was estimated in 1939 we would collect at the 2-percent rate does not affect these estimates of cost and the size of the deficit, since the liabilities assumed by the insurance system have likewise increased.

One of the arguments advanced for not permitting the automatic increase in rate to take effect is that there should be a study made of the financing of this system and of social security generally. Another argument advanced is that Congress will soon consider the extension and broadening of the social-security law. These arguments lack validity, since the minimum cost estimate set forth above has not been disputed by any witness appearing before the committee and it is obvious that any extension and broadening of the social-security law will certainly not result in a reduction in cost. Therefore, there appears to be no good reason why present costs, which are not disputed, should not be properly financed.

3. The continuance of the present pay-roll tax rate will require an eventual Government subsidy.

If the rate of contributions is continued at less than the average annual cost of this insurance system, it is a mathematical certainty that there will be one of the following three results: (1) The future pay-roll tax rates will have to be much higher if the insurance system continues to be financed wholly by pay-roll taxes, or (2) the benefits promised will have to be reduced, or (3) the Federal Government will be obliged to provide a subsidy out of general tax revenues.

There is of course a limit to the amount of pay-roll taxes that can be levied in justice to employers and workers. In the case of the workers the actuarial figures indicate that if the eventual rate is placed higher than 3 percent large numbers will be required to pay more for their benefits under this insurance system than if they obtained similar protection from a private insurance company. Since such a result would be clearly inequitable and since the repudiation by the Government of benefits promised is unthinkable, the only real alternative is an outright Government subsidy.

In making these statements, it should not be concluded that we are opposed to some eventual contribution by the Government to the social insurance system out of general revenues, provided it is not caused solely by the fact that an unjustifiably low rate is levied in the early years of operation and provided there is complete coverage of the workers in this country. However, at the present time, there are some 20,000,000 individuals engaged in occupations which are excluded from the insurance system. We believe, therefore, that before any such contribution is made to the social insurance system out of general revenues consideration should be given to broadening the coverage of the insurance program.

4. Freezing costs taxpayers more later on.

A major argument that has been made by persons in favor of the tax freeze is that it does not make any difference to the taxpayers of the future whether they are required to pay taxes to cover the interest on Government bonds held by the reserve fund or are required to pay taxes for an outright Government subsidy to this insurance system. This argument was completely disproved in the course of the hearings, since not only the Chairman of the Social Security Board but M. A. Linton, president of the Provident Mutual Life Insurance Co., who advocates the freeze, both agreed that the amount of taxes to be raised in the future if there is no reserve fund will be twice as much as if there is a reserve fund. Both of these witnesses agreed that the interest payable on Government obligations held by the reserve fund would otherwise have to be paid to private investors who would be holding these obligations and in addition a subsidy of an equal amount would still have to be made to the insurance system.

5. Delay in automatic step-up will create future hardship for employers and workers.

It has been suggested that now is a difficult time for employers and workers to meet the additional 1-percent tax on pay rolls. We sympathize with the difficulties of meeting the present tax burden made necessary by the war. However, we are of the opinion that it will be far more difficult for employers and workers to absorb an increase in the rate a year from now or at any date in the near future. The profits of most employers are at a high level today. In fact, the majority of employers will be required to pay excess-profits taxes. Therefore, in most cases the increased pay-roll tax payable by employers will be partially offset by the reduction in the excess-profits taxes they will be required to pay. So far as the workers are concerned, the committee was informed that both the American Federation of Labor and the Congress of Industrial Organizations are in favor of permitting the automatic increase to take effect. As members of the Committee on Ways and Means, the committee which has the difficult task of raising taxes, we are impressed by the willingness of the workers of this country to pay their equitable share of the cost of these benefits. We wish to commend these labor organizations for their statesmanlike action which indicates that they truly understand and appreciate the value of this contributory social-insurance system, and therefore desire to maintain its financial integrity.

6. Low contributions imply low benefits.

The real reason why many people advocate keeping the contribution rate at a level below the true cost of the benefits provided is that they fear the accumulation of a reserve fund will create a demand for an increase in the size of the benefits. However, in our opinion the continuation of the present unjustifiably low contribution rate has the effect of making people believe that the cost of the benefits provided is low and that the value of the benefits provided is inconsequential. As already pointed out the real cost and value is far in excess of the rate of contribution now being collected. The survivors benefits alone have a face value between $3,000 and $10,000 for most families and as high as $15,000 for some families. The total amount of survivors benefits provided have a face value of $50,000,000,000.

Most people estimate the value of what they buy by the price which they pay. Therefore, we believe that an increase in the contribution rate will result in less extravagant rather than more extravagant demands being made upon the Congress for an increase in the benefits provided.

7. Freezing not consistent with general congressional policy.

The policy embodied in the majority's recommendations to freeze the rate of contributions under the old-age and survivors insurance system is defended on the ground that only sufficient contributions should be collected to cover the cost of benefits currently being paid out. However, this policy is diametrically opposed to the policy which the Congress follows in the national service life insurance system for veterans of World War II, the Government life insurance system for veterans of World War I, the civil-service retirement fund, the Foreign Service life insurance fund, and several other of the retirement funds set up by the Congress. In completely departing from this principle for the Federal old-age and survivors insurance fund, we believe that the Congress is making a grave mistake.

CONCLUSION

For the reasons outlined above, we oppose the freezing of social-security contributions at the present time. We believe that the action of the majority of the committee is unwise and unsound.

We believe that it is important to strengthen the social-insurance provisions of the Social Security Act. We cannot do so unless we assure the continuation of the social-insurance provisions on a scund financial basis that will guarantee to every American citizen that he will get his social-insurance benefits as a matter of right and not as a dole.

We do not believe that the present provisions of the Social Security Act are perfect. We believe that many of the provisions in the existing law should be strengthened and expanded. We believe that the Committee on Ways and Means should give consideration to a comprehensive review of all of the provisions of the Social Security Act. Only in this way can the contributions and the benefit provisions be seen in proper perspective. However, we do not believe it is wise, pending such consideration, to emasculate the proper financing of the admitted true cost of the benefits now provided. We are opposed, therefore, to the piecemeal consideration of one aspect of social-security legislation and favor a comprehensive study of the entire social-security program with a view toward broadening, expanding, and strengthening its provisions so that it will make its full contribution to the preservation of our democracy and our system of free enterprise in the difficult reconversion and post-war periods.

JERE COOPER.
JOHN D. DINGELL.
A. SIDNEY CAMP.
WALTER A. LYNCH.
AIME J. FORAND.
HERMAN P. EBERHARTER.
CECIL R. KING.

Union Calendar No. 666

78TH CONGRESS
2D SESSION

H. R. 5564

[Report No. 2010]

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 30, 1944

Mr. DOUGHTON of North Carolina introduced the following bill; which was referred to the Committee on Ways and Means

DECEMBER 1, 1944

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

A BILL

To fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) clauses (1), (2), (3), and (4) of section 1400 of the Federal Insurance Contributions Act (section 1400 of the Internal Revenue Code, relating to the rate of tax on employees) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, 1944, and 1945, the rate shall be 1 per centum.

"(2) With respect to wages received during the

calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(3) With respect to wages received after December 31, 1948, the rate shall be 3 per centum."

(b) Clauses (1), (2), (3), and (4) of section 1410 of the Federal Insurance Contributions Act (section 1410 of the Internal Revenue Code, relating to the rate of tax on employers) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, 1944, and 1945, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(3) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

TAX UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT

Mr. SABATH. Mr. Speaker, I call up House Resolution 667 for immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 5564) to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945; that after general debate, which shall be confined to the bill and shall continue not to exceed 3 hours to be equally divided and controlled by the chairman and the ranking minority member of the Committee on Ways and Means, the bill shall be read for amendment under the 5-minute rule. No amendments shall be in order to the bill except such as relate to the rate of tax for the calendar year 1945. At the conclusion of the reading of the bill for amendment the Committee shall rise and report the same to the House with such amendments as shall have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. SABATH. Mr. Speaker, later I shall yield 30 minutes to the gentleman from New York [Mr. FISH].

Mr. Speaker, this rule would make in order consideration of H. R. 5564, a bill to freeze the rate of tax under the Federal Insurance Contributors Act on employer and employees for the calendar year 1945 at 1 percent, thus postponing for the fourth time an increase of 2 percent of pay rolls on employer and employees. I presume it is generally known to every Member what this bill aims to do, namely, freeze the social-security tax in the act that was passed 8 years ago for the purpose of providing old-age and survivors benefits for the deserving people.

I, myself, hope we may soon extend the Social Security Act, because the country is in favor of it being broadened to cover more deserving people.

Personally, I am placed in a rather embarrassing position again this morning. My policy has been at all times to give all committees the right generally to bring before the House practically all the meritorious bills they report. I feel that each and every Member should, generally speaking, have the right to pass upon any worthy legislation agreed to in committee. However, at this time, as chairman of the Committee on Rules, I have the "pleasant" duty of reporting this rule—and I unsuccessfully offered that opportunity to several members of the committee—notwithstanding the fact that I am not in favor of the legislation that is proposed in the bill whose consideration would be made in order.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield to the gentleman from Tennessee.

Mr. COOPER. The Committee on Ways and Means unanimously agreed to request the Committee on Rules to grant a rule allowing 5 hours of general debate on this bill. I see that the rule provides for only 3 hours of general debate. Can the gentleman advise us why the 3 hours was granted instead of the 5 hours the Committee on Ways and Means had agreed to request?

Mr. SABATH. Yes.

Mr. DINGELL. And at whose specific request, if the gentleman will be good enough to state?

Mr. SABATH. The chairman requested 5 hours. Anyway, the Committee on Rules felt, in view of the fact that there are so many other important matters pending, and having in mind the desire of many Members, after nearly 2 years of hard work, to visit their homes for a few days before being called back here for another 2 years of hard struggle, we came to the conclusion that 3 hours should suffice, because it is believed by the Committee on Rules that general debate, as a rule, does not add much enlightenment on a bill; but it is better that a chairman be extremely liberal when a bill is taken up under the 5-minute rule, so as to give each and every Member an opportunity to be heard. Moreover, nearly all of the Members are present when a bill is considered under the 5-minute rule and very few of them are present during general debate. In short, the Committee on Rules is responsible for fixing the time provided in this proposed rule.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. KNUTSON. As I understand, the rule does not place any limitation on the time that may be consumed under the 5-minute rule.

Mr. SABATH. No, not at all. The gentleman from Minnesota should know that also.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. COOPER. Mr. Speaker, the gentleman from Minnesota is entirely in error. The rule limits amendments to a very restricted and narrow channel. Of course it does affect debate under the 5-minute rule.

Mr. KNUTSON. Not as far as debate is concerned.

Mr. DINGELL. The gentleman from Minnesota will be the first one to raise objection to any extended debate under the 5-minute rule. He is not deceiving anyone. What I would like to ask is, has the Committee on Rules assumed that 2 hours is so important as to solve all the problems of Members going home for their Christmas vacations on an important matter of this kind? I think the action of the Committee is just plain arbitrary and that they disregarded the importance of the legislation when they clipped off 2 hours.

Mr. SABATH. Mr. Speaker, the unfortunate part of this is that you gentlemen who signed the minority report and who desired more time, did not appear before the Committee and press for the 5-hour general debate. And though the Chairman suggested 5 hours, in view of the fact that generally more time than necessary is asked for by Committees, we thought by reducing it to 3 hours no harm would be done.

Mr. DINGELL. The chairman of the Rules Committee did not so think, did he?

Mr. SABATH. Well, I am not so much given to general debate. I have been here so many years, and very seldom have I observed that general debate adds a great deal of light or changes the end result. What I favor is a liberal allowance under the 5-minute rule.

Mr. HALLECK. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. HALLECK. I would like to say, as one member of the Committee on Rules, that I endorse what the chairman has said in respect to the attitude of the Rules Committee. I would like to add just this word: We have all had an opportunity to read about this proposition. We have heard it discussed before. We have all been studying it. I am quite sure that with the enlightenment we will get during the 1-hour debate under the rule and the 3 hours of general debate and then any debate under the 5-minute rule, all of us will be fully competent to pass on the merits of the controversy.

Mr. COOPER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield to the gentleman from Tennessee.

Mr. COOPER. I would like for the distinguished chairman of the Rules Committee and the distinguished gentleman from Indiana [Mr. HALLECK] a most influential member of the Rules Committee, to explain to us how there is going to be an opportunity for such great debate under the 5-minute rule, when the rule itself provides that no amendment shall be in order to the bill except such amendments as relate to the rate of tax for the calendar year 1945.

Mr. SABATH. That is all the bill provides for.

Mr. MICHENER. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. MICHENER. The language of the rule is exactly what the gentleman from Tennessee [Mr. COOPER], and his committee asked for. The Rules Committee hesitated to grant a limited rule of that kind, but at the request and the behest of the entire Ways and Means Committee, the Rules Committee conceded, gave them the type of rule they wanted. Now, why complain about it on the floor?

Mr. COOPER. The gentleman is in error, because the gentleman from Tennessee did not even appear before the Rules Committee. The point I am making is why talk so much about liberal time under the 5-minute rule when the rule itself prohibits it? If you want to grant 3 hours general debate, say so, but do not get up here and talk about liberal debate under the 5-minute rule, because the rule does not permit it.

Mr. SABATH. It does under the provisions of the bill. There should be formality.

Mr. DINGELL. There is not going to be anything said in this debate that is going to change anybody on that side, because this was decided in caucus by you people the other day. You are not going to kid the country about that.

Mr. SABATH. That was another reason.

Mr. DOUGHTON of North Carolina. Will the gentleman yield?

Mr. SABATH. I yield to the chairman of the Ways and Means Committee.

Mr. DOUGHTON of North Carolina. I understand the Rules Committee granted precisely the type of rule that the chairman asked for, other than as to the time allotted.

Mr. SABATH. That is true.

Mr. DOUGHTON of North Carolina. That was the only change.

Mr. SABATH. The Committee on Rules always grants requests of committees wherever practicable.

Mr. MARTIN of Massachusetts. Mr. Speaker, will the gentleman yield?

Mr. SABATH. I yield.

Mr. MARTIN of Massachusetts. As long as there has been so much talk about the matter, let me say there was no action taken on this bill in the conference held by the minority. We discussed it, but there was no action taken binding any member, and there was no discussion about the rule.

Mr. DINGELL. Oh, well, we will get a few votes over there. I know that.

Mr. SABATH. I do not know whether there was a conference, or caucus, or any other meeting. I do not have time to follow all the activities of the minority.

Mr. MARTIN of Massachusetts. The gentleman knows it now after I have told him.

Mr. SABATH. Those on the other side are entitled to have their conferences and caucuses, but I hope when they do they will come to a conclusion, at least infrequently, to support legislation that is for the best interests of the whole country.

Now, I only have a few more minutes and therefore I cannot read to you the splendid minority report on this bill; but I hope the membership will obtain a copy of that report, which contains a great deal of splendid information. Also, I hope gentlemen will read the splendid statement of Mr. A. J. Altmeyer, Chairman of the Social Security Board, before the Committee on Ways and Means November 17, 1944, and certain articles by independent, able writers that I have read. If they do that I feel they would hesitate long before voting to freeze the tax rate a fourth time.

Mr. Speaker, I do not wish to take further time on the rule because I know the gentleman from North Carolina [Mr. DOUGHTON], chairman of the Committee on Ways and Means, will explain his viewpoint intelligently, as he always does, explain why the majority of that committee came to its conclusion. I am also perfectly satisfied that the gentleman from Tennessee [Mr. COOPER], as well as the gentleman from Michigan [Mr. DINGELL] will be able to bring home at least a portion of the forceful facts that are included in the minority report.

I feel very keenly that it is necessary from the standpoint of sound financing of a contributory social-insurance system that these automatic increases be permitted to go into effect. The Social Security Board believes, as I do, that the longer these necessary increases in the contribution rate are deferred the greater is the impairment of the financial soundness of this contributory social insurance system and the greater the impairment of the whole idea of contributory social insurance.

Now, when business and employees are making good money, is the time to add to these reserves. We do not know what will happen in the post-war period, and certainly the ability to contribute to this system will not be so great as it is.

Feeling there is no opposition to the rule, I conclude my remarks on this matter and ask your indulgence for a few minutes to call attention to something that is very near and dear and close to my heart.

IS THE FUTURE OF OUR FARMERS BEING ENDANGERED BY REASON OF GOVERNMENT AID AND ARTIFICIALLY CREATED PRICES?

Mr. Speaker, I shall now express my views to some extent on the matter which I called to your attention a few days ago, namely, the need for action in the interest of the white-collar workers. There are 22,000,000 of these workers in the United States, one-half of whom are earning less than $25 per week and the other half less than $20 a week. Notwithstanding these low wages, the cost of living and the cost of food has increased, making it impossible for these millions of forgotten wage earners to make both ends meet. Therefore, I read with a great deal of interest a report that gentlemen from the Cotton States held a meeting yesterday to consider the dangerous situation which confronts the cotton farmer because of the fact that there are now in warehouses and storage facilities throughout the country over 12,000,000 bales of cotton on which high loans have been advanced by the Government, and, in addition, it is costing the Government hundreds of thousands of dollars in the payment of storage charges.

Mr. Speaker, due to Government support and loans cotton is being held at such a high price that it cannot be exported or sold in competition in foreign markets. These prudent men who called this meeting realized that these condition are becoming dangerous to the cotton farmers. They recognize that the Government may not be able to give that financial aid that it has in the last few years, and consequently, this meeting was called to devise methods to safeguard the interests of the cotton farmer in the future and at the same time to protect the Government.

SETTING A SPLENDID EXAMPLE FOR THE WHEAT, CORN, AND OTHER GRAIN GROWERS

Mr. Speaker, this gathering of cotton men have set a splendid example for the wheat, corn, and other grain growers who have also been persistent in demanding higher and higher loans and guaranty of prices on their crops. They should remember that the Government beginning in 1930 and up to 1932 wasted $500,000,000 in an effort to bolster and maintain high prices for wheat, but no sooner than the $500,000,000 was expended immediately the market and the value of wheat began to sag, yes, crashed, so that in 1932 wheat was sold around 50 cents per bushel.

Many outstanding economists fear that the farmers and the country may experience the same unfortunate conditions that befell them and the country that unforgettable year from which they suffered for several years thereafter. Therefore, it behooves them in view of the great surpluses of wheat and corn that are on hand today that they follow the steps of these wise cotton men and begin to devise ways and means by which the Government will be relieved of the unnecessary burden and expense. The loans and guaranties may for a short time be beneficial to them, but in the long run they are bound to be destructive because Argentina, Brazil, several of the European countries, and other countries have tremendous surpluses of wheat and corn and, in fact, are disposing of their wheat and will continue to dispose of their grains at a much lower price than that prevailing in this country. I ask, Mr. Speaker, how will we get rid of our surpluses unless we meet the prices of the other countries? Oh, I concede that for the time being, at the expense of the Government, they are reaping a harvest, but what the future effect will be I hate to think about.

This condition is being aided by the manipulators, speculators, brokers, and hoarders who also have reaped and are reaping a harvest, performing in similar manner and method as did the stockbrokers and manipulators up to 1929. Just yesterday I read an article appearing in the financial columns of a daily newspaper, headed "Serious farm slump after war predicted—demand to fall off, says Schultz."

The article carried a statement of Theodore W. Schultz, professor of agricultural economics at the University of Chicago and adviser to the United Nations Food Commission. The article, I feel, is too long for insertion in the RECORD, but in it Professor Schultz predicts a serious agricultural depression 2 years after Germany is defeated.

Mr. Speaker, similar warnings have appeared in the press throughout the country and in various trade journals and many economists believe that the slump may come before Professor Schultz's prediction, perhaps before the war is over.

Many calculating men believe that Europe will require and absorb our tremendous cotton and grain surpluses, but today's message of the President makes clear that Europe will require less than 10 percent of its needs for rehabilitation. Therefore, it will be to the benefit and to the best interests of all concerned that immediate steps be taken to save the situation and I feel, in view of these alarming conditions, the agricultural leaders will not urge and demand continuously additional subsidies. I hope that the War Food Administrator, the Secretary of Agriculture, and the heads of all the various agencies will give serious consideration to the approaching alarming conditions and will not yield to any influence that will clamor for ever-increasing prices on these items and other commodities which, in the long run will be at the expense of the grower and producer and to the despair of the consumer.

What applies to those groups having to do and urging the increase and maintaining of prices on these commodities also applies to meat, butter, egg, cheese, fruit, and vegetable exchanges and price manipulators. It is high time that Congress should cease in maintaining these artificially created high prices. I say this in the interest of the farmers themselves as well as in the interest of the country and the consumers among whom are numbered the 22,000,000 white-collar workers.

Mr. Speaker, some of the Members may recall my effort and fight in 1920 and 1921 to bring about a reduction in the high artificially created prices on sugar and other food commodities and the steps that were taken in those years in restricting loans for speculative purposes. Some of you may recall my fight against the stock exchanges in the summer of 1929 when I sought to bring about the suspension of all stock-exchange activities. Not succeeding, I continued to fight against the manipulators and short selling because I then feared that the professional short sellers were instrumental in depressing the value of stocks. They succeeded in doing so and it brought about the bankruptcy of most of the banks and the insolvency of many of the insurance companies, destroying the value of stocks and bonds held by millions of our investors and, in the midst of

plenty, brought about the greatest financial crash in the history of our country. The then president of the New York Stock Exchange, through the medium of newspaper and radio advertising and other publicity, sought to show that I did not realize or understand what I aimed to do but, unfortunately, I did know whereof I spoke. And now again, I am taking the privilege of a man well along in years who has gone through and witnessed the destruction wrought in five depressions to warn the Nation and those interested of the conditions that confront us and, at the same time, hope that I might be able to some extent to bring about relief to the millions of underpaid and undernourished working people of our country.

Mr. Speaker, I now yield to the gentleman from New York [Mr. FISH] the usual 30 minutes, reserving to myself the remainder of the time on this side.

Mr. FISH. Mr. Speaker, I yield myself 5 minutes.

Mr. Speaker, I am in entire accord with the chairman of the Rules Committee when he upheld the action of that committee in regard to limiting general debate on this bill to 3 hours. This certainly is one of the simplest issues that has ever come before the House of Representatives; a very clear-cut issue. It is simply whether you want to freeze the social-security tax at 1 percent or want it automatically to be increased to 2 percent on January 1945, and to 2½ percent on January 1, 1946. That is the issue before the House. You may talk about it until doomsday but you will always get back to that same question: Do you or do you not want to freeze it at 1 percent or let it increase on January 1 to 2 percent?

It seems to me that 1 hour on the rule and 3 hours general debate are ample time for a discussion of such a simple matter. May I say to the chairman of the Rules Committee and to other gentlemen who raised the issue that the Republicans in their conference took no definite action. Any Republican Member may vote as he sees fit upon this bill.

Mr. Speaker, I confess I am guided in my opinion mainly by the action of the Ways and Means Committee, one of the most able committees in the Congress, headed by that great American, perhaps the greatest of them all, the gentleman from North Carolina [Mr. DOUGHTON] on the Democratic side. Under his able leadership that committee has recommended this bill to the House freezing the tax at 1 percent, and asking the House for time to study the issue further, to find out what the financial resources are, what the requirements are and, if necessary, in the next Congress come back with a report on what should be done; maybe increasing the tax at that time. But at least they have the right to ask for time on such a vital issue as social security and to study our resources and to know exactly where we are and where we are going and what is exactly and precisely needed for the future. Therefore, on that basis, I propose to support the bill introduced by an overwhelming majority of the Committee on Ways and Means.

Now that the election is over, I hope the Republicans and Democrats will put aside their partisanship and combine and cooperate on great fundamental principles and issues. One of those issues is social security. That has been accepted by the American people; all the people, Republicans and Democrats. A great many of them not only want the existing social-security law but they want it expanded to include the farmers, to include those in the hospitals and those in the schools. I am in favor of the expansion of social security.

Mr. SMITH of Ohio. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Ohio.

Mr. SMITH of Ohio. What evidence can the gentleman present to the committee or to the House that the farmers want this program applied to themselves?

The SPEAKER pro tempore. The time of the gentleman from New York has expired.

Mr. FISH. Mr. Speaker, I yield myself 5 additional minutes.

Mr. Speaker, there is no question in the world but that the farmers of America hate regimentation and love freedom, perhaps more so than any other group in America. But I am inclined to think that social security is no longer regarded by the American people as part of a program of regimentation. They believe that it runs parallel with free enterprise, with private initiative and equal opportunities, and they believe, now that the rest of the country are provided with social security, that they too should be included. I am quite sure that if the farmers do not want it, they will not get it. I am sure, on the other hand, that those who are employed in the schools and in the hospitals want it. I am certainly in favor of giving it to the farmers if the farmers desire it, because I think it is a matter of right if the rest of the country have it. But I am not here testifying as to the viewpoint of the farmer himself. There are plenty representatives directly from the farm districts who will speak for them, and I can assure the gentleman that if the farmers are opposed to it, and if they do not want it, they will not get it.

Mr. DINGELL. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Michigan.

Mr. DINGELL. The gentleman has expressed an interest in behalf of those in hospitals. I take it the gentleman's views on that are liberal enough to include people who are in need of health insurance.

Mr. FISH. I freely predict that in the not far-distant future the Congress will include health insurance and hospitalization. It is probably inevitable. I am not expressing my views right now as to what should be done today or next month or in the next Congress, of which I will not be a Member, but I am inclined to believe that in the course of events it is inevitable that the Committee on Ways and Means in a future Congress will recommend health insurance and hospitalization, which have been in effect in the older nations of the world, even Germany, for the last 50 or 60 years, and in many other countries not as progressive or liberal or as rich as America. I think that day is coming. But it is no use discussing it now because we have only one simple issue before us, and that is the amount of the tax on social security, including old-age and unemployment benefits.

May I conclude by saying that I am in favor entirely of the social-security program as it exists today. It is accepted by all the people. Of course it will be amended and it will be extended. But may I point out that it is parallel to and not a denial of free enterprise. It is not a denial of private initiative or of equal opportunities, or the profit system which have made this country a great, rich, and free nation. There is no question that all people hate and loathe wartime regimentation and are only waiting for the day to come to get rid of it and get back to freedom and freedom of business initiative. But I do not think the American people have any idea of relinquishing social security. Social security has come to stay and will be expanded as the years advance and the needs require.

In the meantime, Mr. Speaker, I am in favor of this bill as it stands largely because the experts and the majority of the Committee on Ways and Means, those who have devoted their lives to the study of these questions and those who have sat in on these hearings, have recommended this bill to us in its present form and have stated openly that perhaps in the future when they have time to go into it and study the details and find out the financial status of the country they may recommend something different. So, Mr. Speaker, I am in favor of the bill as submitted and will vote for it, and I hope the rule will be adopted.

Mr. SABATH. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Speaker, realizing the limitation of time imposed by the rule, which will doubtless be adopted, I am constrained to say at this time what I might otherwise have said when the bill is being considered.

I think it important that the proposed tax freeze and its dangerous effect be taken into account, particularly by the business interests of this country. Provisions such as are intended under the Social Security Act with regard to old-age insurance are a safeguard and a stabilizer for business in that they provide freedom from fear on the part of our aging citizens. I think it goes without saying that anything we can do to eliminate the age-old fear of the poorhouse from our midst is the best thing in the world for the insured and for business. I think progressive, farsighted businessmen realize that repeated tax freezing tends each time to undermine the social-security structure. My principal objection to the proposal, at the present time, of freezing the tax is one which I have raised in committee, time and again. In the first place, we

have already frozen the social-security tax on two previous occasions. Now we come before the Congress again with a similar proposal for a third time. I have argued for several years past, and the Members of the committee know it, that we ought to have a special, standing subcommittee to acquaint itself with the current and future needs of the social-security structure and we ought to go into the matter with the assistance of experts, very carefully. I hold to that view now. I cannot reconcile myself to any such proposal as this, which is before us now, to first freeze the tax and later to investigate. I think that the proper, the sound, the businesslike proposal would be to investigate first and then to freeze the tax, if investigation justifies it. So far as I can get the facts to date, there is no justification for freezing, because business is at its best and business would not suffer anything by the automatic imposition of the tax, as provided by law.

Mr. DISNEY. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield.

Mr. DISNEY. Even if we had raised the tax to 5 percent it would not have changed the benefits. The benefits would have remained the same until after we would meet next year and determine whether or not they would be changed.

Mr. DINGELL. It is not going to change the benefits, no, but it will affect the plan, in my estimation. I will say this to my friend from Oklahoma, and I think he knows it, it is going to be mighty easy to slash the tax, but very difficult to restore it. He is not going to be here to vote for its restoration, but I dare say, he is going to vote to cut it.

Mr. DISNEY. But it is clear that either the raising or the cutting or the leaving in statu quo, of the rate, will not affect the benefits under the bill.

Mr. DINGELL. Not immediately, no; but it will in the future. I just want to express this hope at the present time. Those of us who have been defending the social-security bastion, and who have been pushed from one line of defense to another, have this final hope, and I express it here now for whatever it might be worth, that if this legislation does pass in the House and in the Senate, regardless of whether it is wrapped in the mantle of the War Powers Act or not, the President will have the courage to veto it. I think that he will. I hope I am not making a mistake in that prediction.

Mr. DEWEY. Mr. Speaker, will the gentleman yield?

Mr. DINGELL. I yield.

Mr. DEWEY. I would just like to ask the gentleman to make a statement as regards title I of the Social Security Act. There is nothing in this bill, nothing in this rule, that has anything whatsoever to do with the so-called old-age pension.

Mr. DINGELL. Not the pure pension, no; that is, not those that are receiving a gratuity.

Mr. DEWEY. I just wanted to bring that out.

Mr. DINGELL. This affects the old-age insurance feature of the act which provides for old-age pensions, not as a gratuity but as a matter of right, to those who pay the insurance premium.

The SPEAKER. The time of the gentleman has expired.

Mr. SABATH. Mr. Speaker, does the gentleman from New York [Mr. FISH] wish to yield some of his time now?

Mr. FISH. Mr. Speaker, I yield 10 minutes to the distinguished gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Speaker, there is no question that this rule will pass. Consequently it would be useless to discuss the rule any further. I might say this, however, that usually when a rule is given for legislation from the Committee on Ways and Means, it is usually branded as being a gag rule. This rule is an exception in that respect. This rule is not a gag rule in any respect. The application of this bill is restricted within a very narrow scope, as has already been said. It deals with only one proposition. That proposition is, Shall we freeze the present rate at 1 percent for another year, or shall it be increased to 2 percent beginning with January 1, 1945?

This rule permits amendments within that scope. I hope there will be several amendments so that we shall have a fair chance to present the real issue to the House and the country. At that time, no doubt, the issue will be sharper and we will then be able to keep our remarks more to the point.

At this time let me discuss with you for a few minutes the general proposition of social security. The term "social security" is a very broad term. It is used to express many different ideas. In other words, in 1935 this Congress passed the social-security law. That was a great step in legislation. In fact, it was one of the most comprehensive pieces of legislation ever passed by Congress. That law includes 10 different titles, and it is very comprehensive. It deals with old-age pensions in title 1. In title 2 it deals with old-age insurance. Title 3 deals with unemployment compensation. And title 4 deals with aid to dependent children. Title 10 deals with pensions for the blind. As was brought out in the debate a moment ago, the first title deals with old-age pensions. This is an easy proposition in that it provides a grant for the aged needy to be matched by the States. That was the first time the Federal Government had ever entered the field of gratuitous pensions to the old people. Many of the States up to that time had passed old-age pension laws, but that was the first time the Federal Government took action with reference to Federal aid to the aged needy. The Government is still operating under that old-age pension law. It pays out to the States about $300,000,000 annually, which the States match. When Congress passed the social-security law, title 2 of the social-security law was expected to be a corollary to the old-age pension section. The purpose of title 2 was to provide a system of compulsory insurance that would render it unnecessary to continue old-age pensions. If title 2 will work out as it was intended, in about 30 or 40 years the old-age pension section may not be necessary. If our people can provide themselves with personal security through this title 2 it will not be necessary to pay old-age pensions. In other words, if we did not pass title 2 at all, it will not necessarily bring about any calamity in this country, because we would still have title 1 to take care of the old people who reach 65 years of age by paying them an old-age pension.

So, we are not today experimenting with amending a plan that might jeopardize the bread and butter of anybody. What we are trying to do today is not absolutely a bread-and-butter proposition at all. But we are now dealing with a very important experiment in universal social insurance. That is what it amounts to. It is compulsory. Title I is not compulsory. It is voluntary. If a person does not want to draw an old-age pension, he need not do so. But title II is a tax. It provides for compulsory payments and when we deal with a tax we must be careful to make it uniform. We had better make it fair; we had better make it of such nature that there will be no revulsion in the country about it. There are 2 titles in the Social Security Act that are very compulsory. One of these is the title with which we are dealing today and the other is the title providing a tax out of which to pay unemployment compensation.

Title II provides that every employee in the country, except a certain few who have been exempted, such as domestics, farm labor, and casual labor, must pay 1 percent of his wages into a trust fund under the supervision of the Government. Every employee has deducted from his pay roll 1 percent of his earnings, and at the same time, from the till of the employer an amount equal to 1 percent of the wages of his employees is deducted. But you must remember when you take the 1 percent from the employee, you take it out of his own earnings. But when you take it out of the employer, you do not take it out of his profits. It is not taken out of the profits of the employer. It is a charge on his total receipts. If the employer is prosperous, it means that he just pays that much less income taxes. And if the employer is not prosperous, he must pay it whether he makes any profit or not. It comes out of the money he earns. It comes out of his business. He passes it on as an item of cost. You must remember that whenever you pass on an item of cost, it comes out of the consumer. Suppose a man is manufacturing shoes. One percent of all the wages he pays, is paid to the Government and is added onto the cost of the shoes. Very well. Who pay that cost? The consumer, of course, and that in some instances is very unfair. This is true when a person who is not protected by social security must pay that added cost. We have to be fair about it. We must give this matter very exhaustive study. In our complex industrial life it is difficult to give one person an advantage without working a disadvantage to another.

Take, for instance, a farm hand. He is excluded from the protection of the law. Most farmers desire to be excluded.

But the farm hand has to pay that increased price for his shoes because the price has been increased by the employer all along the line by that amount and perhaps it has been increased by the amount the employee pays—if the employer has been smart enough to add all its tax as a part of the cost.

So we are going to have to consider some of these days whether or not we are going to extend the benefits of the social-security insurance to some of these other people, to the white-collar workers, to school teachers, and many other people employed by the State and Federal Governments. They have to pay the extra price for their shoes just as these farm laborers do.

So the question arises then, if we do sometime in the future decide to include farm labor within the provisions of this law, How we can best do it? It cannot be applied to a farm laborer as easily as it can to those who work in a factory. It is difficult also to apply it to domestics who work only 1 or 2 days a week. Likewise it is difficult to apply it to a grass cutter or to one who works for himself as a plumber or a repairman.

Some day we shall have to face all these matters if we are to be absolutely fair to all. As I have already stated, most farmers are opposed to extending this coverage to farm help and most self-employed people are opposed to it.

In 1939 we amended this section of the original Social Security law, the section I am now talking about. It was not well put together. It could not have been well put together, because we had had no experience from which we could chart our course. We made a good start and expected to learn by experience and we did learn and in 1939 the Ways and Means Committee recommended and the House passed very striking amendments to this section. I cannot go into these extensively at this time. I refer you to the law. The principal amendments were to the effect that the benefits were made more acceptable to the families of the beneficiaries. The original social-security law did not give sufficient protection to the wife and children of those who paid in their money. It was loosely drawn because it was experimental legislation. I make these statements to show you that this legislation is very important and very far reaching. I think our Ways and Means Committee took a very wise course when a few days ago it adopted a resolution to the effect that the whole committee would, when time permits, enter upon an exhaustive study of this whole matter. From that study I hope we may find the solution of some of these important problems.

For instance, it is not wise for us to require our wage earners to pay into the Treasury of the United States the great surplus of $6,000,000,000. The Government takes in about seven times as much as it pays out under this law. No insurance company would do that, no private individual setting aside a trust fund would set aside seven times as much as is necessary.

It has been said that in prosperous times we ought to collect these funds to create a huge reserve against less prosperous times. I think we ought not to be piling up a surplus at the cost of today's workers to be paid to somebody 40 years from now. The Congress will be just as smart and patriotic 40 years from now as it is today. The workingman who has paid into this fund has a surplus now of seven and one-half times any reasonable demands that may be made upon it. Mr. Morgenthau, at the public hearings seeking to develop facts in 1939 said that a surplus of three times was enough—three times any reasonably anticipated draft upon the funds. Three times ought to be enough, but we now have seven times the necessary amount.

Why should the man who is now working be called upon to pay nearly a billion dollars more each year than is necessary? And if this is raised to 2 percent the workingman of this country will be called upon to pay over one billion and nearly a billion and a half extra money into this fund that is already seven and one-half times too large. I am moved to make this statement because I do not want the man who works to be misled into the belief that this increase is necessary for his security. It is not necessary. Every person who testified at our hearings, including Mr. Altmeyer, stated that the present surplus with the present payments would keep the fund solvent for 10 years.

Mr. DISNEY. Mr. Speaker, will the gentleman yield?

Mr. JENKINS. I yield to the distinguished gentleman from Oklahoma.

Mr. DISNEY. And this does not affect his benefits.

Mr. JENKINS. No; I was just going to come to that. If we increase this rate to 2 percent from the employee and also from the employer it does not give the employee any more money in case of death or accident. He does not get any more benefits; the benefits stay just as they are.

Mr. Speaker, it is absolutely unfair to compel those who labor to pay these exorbitant surpluses if there is no additional benefit to them. If we are going to increase these rates we should by all means increase the benefits.

From a standpoint of economy some say that we should not raise the benefits now in these prosperous times. The time they will need greater benefits is in less prosperous times. I say this just to show how confusing these arguments can be. I still say, however, that the benefits must be raised if the payments are raised and the big surpluses are maintained.

The SPEAKER. The time of the gentleman from Ohio has expired.

Mr. JENKINS. Mr. Speaker, I yield the balance of the time to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Speaker, I do not wish to enter the field assigned to the committee inasmuch as those members will explain this bill and they will have sufficient time to do it. I suppose Members on both sides of the House will be bending and torturing statistics to bring about the desired result of an opinion they have predetermined. I will not enter into that phase. You may, if you wish. My remarks will be general, but let no one translate them as being against real social security, because we all ought to be for that. It is the method I may wish to question in the very few minutes I have, and I wish to bring to you some fears that have been expressed to me.

Blessed be the man who expects nothing because he will not be disappointed; but the man who expects something and does not get it might well be disappointed.

Are we entering into a system of swindling posterity on a huge scale? Are we really collecting this money and spending it for the general purposes of government and not treating it as a trust fund? Can the Government spend trust funds for general expenses without challenge? I have here a letter that came to my desk this morning from a chamber of commerce, calling this method a swindle because we are spending these funds for the general expenses of the Government. I expect a reply to this on the floor this afternoon. I have spoken along this line several times before. I am frankly worried as to whether or not the Government is so different from individuals as the custodian of such contributions. If you as an individual hold my trust funds, do not buy an automobile for yourself. I am worried about the many comments of wise men who are critical of the road we are traveling. It is stated that the foremost superstition in the United States today is that we think that we can get social security by voting for it.

Mr. EBERHARTER. Will the gentleman yield?

Mr. GIFFORD. I yield to the gentleman from Pennsylvania.

Mr. EBERHARTER. I just want to call the gentleman's attention to the fact that the majority report of the committee, which all of his Republican colleagues signed, states that there definitely is a trust fund amounting to over five and one-half billion dollars. That is a trust fund upon which the membership who voted to pass out this bill depend.

Mr. GIFFORD. It is indeed a trust fund. Should it be spent for general purposes? This has been questioned. Maybe you will be able to reassure these critics. Here is a Government faced as it is with many billions of dollars to be paid out for subsidies and pensions in various forms after this war. Our Government is traveling fast in those directions. I have been giving as much thoughtful study as I can to post-war problems. We are told that wages must be even higher. Then we must subsidize the wage earner. We must continue to subsidize the farmers on a much greater number of their products. I read that $290,000,000 have been used to support the price of eggs, alone.

Let us take into consideration the cost of subsidizing wheat, cotton, and other large crops. We are told that we must allow great quantities of goods to come into the country in order to be paid for our exports and the loans we must be prepared to make.

So I sometimes wonder if we are embarking upon plans the results of which would be to swindle posterity on a huge scale. Of course, some people think this money is in a trust fund. Perhaps it is. They think it has been set aside. Surely, they will have to be taxed again in order to get it. They will pay twice. "He who gives too soon will soon be asked to give again."

Mr. Speaker, I am not against social security, but I should watch the way and manner in which we are providing for it. I am expressing a warning that comes to you and me from people who are very much interested and very skeptical about these funds. They must be assured that their contributions are properly safeguarded. Should we not tell them that an investment in a Government bond—their own debt—is the safest possible investment? Again, do not translate this talk into the belief that I am against social security. But we are piling up a huge indebtedness. We have used all the letters of the alphabet in designating relief agencies which have been set up, both at home and abroad. A boy was asked in school to write a sentence containing every letter of the alphabet. I want to give it to you. He wrote:

New Deal quackery and extravagance have piled up a fearful debt upon all junior citizens, including myself.

You know I do not love the New Deal; neither do you. I distrust the New Deal; so do many others. I shall not be beguiled by the simple title "Social Security," if it is simply to get more money into the Treasury to be spent for something else. I have that warning. I have been beguiled more or less on many of these New Deal propostions, ostensibly for meritorious purposes. Proper administration of them is highly important and it is our duty to watch that. I have not attempted to discuss the presentation arguments of the Committee on Ways and Means. I took the floor at this time simply to express the fear of many people who have written to me and of others who have printed their fears and opinions for us to read. I hope we will get this social security, so-called, but it now appears that we will pay for it twice. There is an old saying, "Where every prospect pleases and only the ink is red."

Mr. SABATH. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

TAX UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT

Mr. DOUGHTON of North Carolina. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 5564) to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 5564), with Mr. McCORD in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the bill H. R. 5564, now under consideration, provides for the freezing of the tax on employer and employee for old-age and survivors benefits at the present rate of 1 percent for 1945, thus postponing an increase to 2 percent, which would otherwise result if the bill does not become a law.

In supporting this bill I desire to have my position clearly understood. Therefore I call your attention to the fact that I introduced and reported the original social-security bill in 1935 as well as the amendments to the social-security law of 1939. I was at that time and still am a firm believer and advocate of old-age insurance.

I take considerable pride in having my name associated with this great humanitarian law and yield to no one in my desire to maintain the system and the purposes of the act on a sound and secure basis. I would resist to the limit any effort that would, in my judgment, tend to weaken and undermine the stability of the system.

However, I am fully and firmly convinced, after a careful study of the subject, that the action taken by a substantial majority of our committee—about 2½ to 1—is fully justified and does not and will not undermine or weaken the financial structure of the system.

After studying all the testimony presented in the hearings recently conducted by our committee we arrived at a decision that the only practical and proper course to follow was to freeze the tax at 1 percent for the year 1945; and that is

all that this bill does. It has no reference or effect whatever upon the expansion of benefits or the extension of coverage under the Social Security Act. Neither does it affect, in any way, old-age pensions or benefits which are paid by annual appropriation out of the general fund of the Treasury and matched on a 50–50 basis by the States. It makes no change whatever in the basic purposes of the act.

The issue we have placed squarely before the House is whether the reserve in the trust fund is adequate at the present time and that it can be maintained within the reasonable limit of safety by retaining the tax at 1 percent during the year 1945.

In 1939 the law was revised and the basis of the trust fund was changed, after long and deliberate study, from a so-called full reserve to a contingent reserve to meet unusual conditions or emergencies. At that time the Social Security Board, with the help of experts and actuaries, estimated that the trust fund would be $3,000,000,000 at the end of 1944. They estimated that it would be only that amount if the tax increases as written into the law should become effective. However, without the increases, instead of only $3,000,000,000 we have, or will have at the end of 1944, approximately $6,000,000,000 in the trust fund—or 100 percent more than was estimated. In other words we will have double the amount it was estimated we would have and we have built this reserve at a lower rate of tax than the social-security experts and actuaries used in their calculations for securing only $3,000,000,000. Today, mark you, we are collecting more in taxes at 1 percent than it was anticipated we would collect at 2 percent, which amount we were told would be adequate to fully protect the system.

The opponents of this bill will contend that this is all due to the war, which we deny. Some of it is probably due to the war, but the estimates of receipts before the war were far from accurate. We have always collected more, both before and since the war, in taxes and paid out considerably less in benefits than was estimated. The Social Security Board estimated that in 1944 benefits paid out would be $667,000,000, but actual benefits paid will amount to approximately $200,000,000, or less than one-third of the amount anticipated.

The opponents of this bill also contend that the claims or liabilities against the fund have increased greatly. In the report they use the figures $50,000,000,000, which as far as I can determine is the most extreme possibility that the human mind could imagine and not within the realm of any reasonable probability. Apparently they are assuming that every person who is now contributing to the fund will die within a short time. But surely no one, not even Dr. Altmeyer, is expecting this to happen. Also they forget to state that the survivorship benefits expire in a comparatively short time after a person who is covered by social security leaves employment. But we are undoubtedly going to see large numbers leave the system after the war.

The estimates on receipts and disbursements and the growth of the trust fund made by Dr. Altmeyer and his experts have fallen so wide of the mark up to the present that it is difficult for anyone to view with any reliance whatever estimates they make as to many, many years hence, which must necessarily be based upon economic conditions and human factors that can only be guessed at—and so far they have been the wildest guessers with whom I have ever attempted to work. I know that I cannot personally look into the future and tell what economic conditions and human factors will be 20, 30, or 40 years from now. So how can we, on the basis of such estimates and when the fund is adequate at present or within the reasonably near future, justifiably increase the already high tax burden on workers and employers. Even opponents of the bill admit that a tax of 1 percent will be adequate for 10 years, and I have no doubt it might be sufficient for 20 years.

The Secretary of the Treasury, who is also one of the trustees of the old-age and survivors' trust fund, and doubtless speaking with the knowledge and approval of the other trustees, testified before our committee in 1939, as follows:

> Specifically, I would suggest to Congress that it plan the financing of the old-age insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years.

The Congress incorporated the Secretary's recommendation into the law; at the same time instructing the trustees to report immediately whenever they believed the amount in the trust fund to be unduly small. The Congress put an alarm bell in the law, but to my knowledge the trustees have not rung that bell, warning us that the trust fund was unduly small for the very obvious reason that the fund is twice what they estimated it should be. The highest estimated benefits for any of the ensuing 5 years were from four hundred and fifty to seven hundred million dollars. So, as a matter of fact, the amount in the trust fund is now from 8 to 12 times the highest prospective annual expenditure in the next 5 years—8 to 12 times, instead of 3 times as recommended by Secretary Morgenthau, who must surely know, or should know, whereof he speaks.

If the Morgenthau rule is sound, and it has not been repudiated by the Secretary as far as I know, we then have a wide margin of safety. Under these circumstances and in view of the extremely high tax burden the people necessarily are carrying, how can we justify doubling the tax at this time? Remember, the trust funds is 100 percent greater than it was anticipated it would be and is from 8 to 12 times instead 5 times more than the highest anticipated benefit payments for any one of the ensuing 5 years, which was considered by Secretary Morgenthau to be necessary to maintain the system. So I repeat: How can we justify an increase of 100 percent in the tax at this time?

In the recent campaign, not only the platforms of both political parties, but also the candidates and spokesmen, promised the people of the country relief from heavy tax burdens at the earliest possible moment; each trying to outdo the other in such promises. However, it is clearly evident with the mounting cost of the war, the taxpayers can look for little or no relief in general Federal taxes in 1945, but they certainly are justified in opposing any unnecessary increases, or increases that have not definitely been demonstrated to be necessary. They will, in my opinion, judging by the letters and telegrams that I received from all parts of the country and from people in all walks of life, resent any increases in tax burdens which are not proven to be absolutely necessary. Based on previous testimony and estimates of amounts required to keep this trust fund sound, a 100 percent increase in tax for this purpose can, in nowise, be justified.

We have taxes here, taxes there, taxes everywhere. Hundreds of thousands of small businesses have been forced to close as a result of the war and taxes, and thousands of white-collar people have not had their salaries increased commensurate with the increased cost of living. Upon these people a 100 percent increase in this tax would prove a grievous burden. It should be remembered that this tax is not a tax upon profits, but a tax on costs of the employer and must be paid even though the employer is in the red or just breaking even, and by the employee it must be paid out of sweat and toil of daily earnings, although such earnings may not be sufficient to provide a comfortable subsistence for the wage earner and his family.

Before any increase in this tax is permitted to become effective the entire subject of tax rates and the adequacy of the trust fund should be reexamined in the light and upon the experience of 9 years of operation of the law to date, as our committee proposes to do if this tax is frozen for the year 1945.

The CHAIRMAN. The time of the gentleman from North Carolina has expired.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield myself 5 additional minutes.

Mr. COLMER. Will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield to the gentleman, although my time is very limited.

Mr. COLMER. Do I understand it is the gentleman's view that business would find it more difficult to increase jobs in the post-war period if this bill were not enacted?

Mr. DOUGHTON of North Carolina. Well, I did not make that statement, but I do say there are hundreds of thousands of small businesses that have already gone to the wall as a result of the war conditions and high taxes. Upon those this tax increase would be a very grievous burden. This is a tax not on profits, but a tax on the costs of business so far as business is concerned, and a tax on sweat and toil of daily earnings so far as the employee is concerned.

Mr. COLMER. I should like the benefit of the distinguished gentleman's good judgment on that question: What effect

would it have on employment in the postwar period?

Mr. DOUGHTON of North Carolina. It would certainly leave the employer in a much better condition to employ labor after the war, in my opinion.

Mr. COLMER. I thank the gentleman.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield myself 2 additional minutes.

Mr. Chairman, I have before me letters I have received opposed to the freezing of the tax and opposed to this bill. You will see that I have received only 14 post cards, all written in precisely the same language, mailed the same day and at the same post office and received by me at the same time—identical messages. I have received only three letters opposing the bill. I come from a great industrial district and a great industrial State. Not 1 telegram, not 1 letter, not 1 word of objection have I received from my district relative to freezing this tax by the enactment of this bill. From the rest of the country I received only 14 identical post cards, all propaganda, opposing it. As you can see by these telegrams I hold in my hand, hundreds and hundreds of them, I have received in favor of freezing the tax and passage of this bill. Here are hundreds and hundreds of letters, none of them identical, from men in all walks of life, and from all sections of the country, from men in all types of business, from labor, capital, industry, employer and employe. This is not propaganda. This is a free expression of the will of the people on this important subject and should have great value, in my judgment. It is an expression of the enlightened sentiment of this country opposed to the increase of this tax.

In my judgment the security and stability of the system will in no way be jeopardized by the enactment of this bill into law.

The CHAIRMAN. The time of the gentleman from North Carolina has again expired.

Mr KNUTSON. Mr. Chairman, I yield myself 10 minutes.

Mr. Chairman, the measure now under consideration would freeze the social security pay-roll tax at the present 1-percent rate for another year. Heretofore, social-security tax legislation has been handled in a more or less haphazard manner because we have not had sufficient information to act with full knowledge. It is the purpose of the appropriate committees of the two Houses to make a thorough and exhaustive study of the whole question after the first of the year. It will interest those on this side of the aisle to learn that the Republican members of the Ways and Means Committee unanimously supported the bill; also, that it was supported by a majority of the Democratic members of the committee. The measure was reported out of the Ways and Means Committee by a vote of 17 to 7.

Unless the Congress acts to freeze the rate at the present level, the tax will automatically increase to 2 percent on both employer and employee on January 1, 1945.

When the Social Security Act was revised in 1939, Congress abandoned the so-called full reserve plan, under which a reserve fund of some fifty billions would eventually have been built up. This action was taken with the approval of the Treasury, in recognition of the fact that a full actuarial reserve is not necessary in a Government-operated insurance plan. The act, as revised, contemplated only a contingent reserve, and specified that a report should be made to Congress whenever the reserve fund exceeded three times the highest contemplated benefit payments in any year of the ensuing 5 years. This is the so-called Morgenthau rule.

According to Dr. Altmeyer, Chairman of the Social Security Board, the reserve fund on January 1 will be $6,000,000,000. The annual benefit payments are now running around $200,000,000, and the highest estimated annual payment in the next 5 years will be between $450,000,000 and $700,000,000. Thus the existing reserve is more than 8 times, rather than 3 times, the highest annual benefit payments in the next 5-year period, based on the highest estimate of payments. It is 13 times the highest annual payments, based on the lowest estimate of such payments.

Current receipts from the present 1 percent tax are approximately $1,300,000,000 annually, or more than 6 times current outlays. The present reserve is 30 times the amount of current payments, and will continue to grow under the 1 percent rate, even if it were to be continued for a number of years. If the rate is automatically increased to 2 percent on both employers and employees on January 1 next, an additional and unnecessary burden of $1,300,000,000 will be imposed.

The above figures conclusively show that the present 1 percent rate may safely be continued for another year, as provided in the bill reported by the Ways and Means Committee, without in any jeopardizing the trust fund. The scheduled increase to 2 percent on both employer and employee is wholly unnecessary and unjustifiable. The 1 percent rate heretofore in effect has built up a far greater reserve than Congress, in 1939, contemplated would be built up under a 2 percent rate by the year 1948.

Mr. MILLS. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Arkansas.

Mr. MILLS. May I remind the gentleman of the testimony given by Mr. Altmeyer in answer to questions propounded by the gentleman on that particular point:

> Mr. KNUTSON. You have competent actuaries in your employ at the present time, have you not?
>
> Mr. ALTMEYER. Yes.
>
> Mr. KNUTSON. And based upon their findings, the present rate of income is sufficient to take care of the calls that will be made upon that fund during the next 20 years?
>
> Mr. ALTMEYER. That is right.

That substantiates what the gentleman is saying.

Mr. KNUTSON. I am glad to have the gentleman's contribution, and without casting reflection on anyone I may say that representatives of the Social Security Board who appeared before the committee failed to make out a case. There was only one gentleman appearing who claimed to represent labor and when interrogated he admitted he did not know how much the reserve was; he also admitted that he did not know what the outgo was, and apparently lost some of his enthusiasm for the program he was espousing when he learned that the reserve fund is now eight times greater than the outgo.

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

Mr. KNUTSON. I yield to the gentleman from Tennessee.

Mr. COOPER. I am sure the gentleman wants to convey the information to the House, as to the question read here by the gentleman from Arkansas and Dr. Altmeyer's answer, that if the increase goes into effect as provided on January 1, it will take it for 20 years.

Mr. MILLS. On page 10 of the hearings Mr. KNUTSON asked the question:

> Based upon their findings, the present rate of income is sufficient to take care of the calls that will be made upon the fund during the next 20 years.

Mr. Altmeyer's answer was:

> That is right.

He may be incorrect, but that is his statement.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from North Carolina.

Mr. DOUGHTON of North Carolina. Nobody can question that he did say definitely that it was all right for at least 10 years.

Mr. KNUTSON. There is no dispute about that.

Mr. DOUGHTON of North Carolina. There is no question about that.

Mr. KNUTSON. There is no question and no dispute that all the testimony adduced before the committee was to the effect that the present rate of 1 percent was enough to carry the fund in a solvent manner for the next 9 or 10 years.

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

Mr. KNUTSON. I yield to the gentleman from South Dakota.

Mr. CASE. Was there any testimony adduced before the committee that measured the effect of increasing the tax on the wage earner by 1 percent, on the cost of living, or upon the demand for breaking the ceiling on wages?

Mr. KNUTSON. Unfortunately the committee did not go into that phase of the question. I think that we should have given some thought to it. It is inflationary. If the increase goes into effect the Congress will merely vote to place another 1 percent tax on all pay rolls and pay envelopes. Naturally the employees will ask for an increase in pay to offset the additional load that will be placed upon their shoulders on January 1.

Mr. CASE. In other words, it will help to break down the "hold the line" order, so to speak.

Mr. KNUTSON. Exactly, and I am not so sure that that is not the reason why the administration seems to be for the increase. Of course, if Congress would conveniently provide the administration with an "out" so that it was justified in abrogating the so-called Little Steel formula, the Congress would be entitled to a vote of thanks from the administration.

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

Mr. KNUTSON. Mr. Chairman, I yield myself 5 additional minutes.

I wish the House to get this: The 1 percent rate now in effect has built up a far greater reserve than Congress in 1939 contemplated would be built up under a 2 percent rate by the year 1948; in other words, under a 1 percent rate we have by 1944 built up a greater surplus than it was contemplated could be built up by the year 1948 under a 2 percent rate.

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

Mr. KNUTSON. I yield to the gentleman from New York.

Mr. LYNCH. Is it not also a fact that, although the reserve has been built up in the manner in which the gentleman states, the liabilities of the fund have also increased?

Mr. KNUTSON. It would be passing strange if the liability of the fund did not continually increase. That is one reason why we should have a full study made. We should go into this subject exhaustively, not only by the Committee on Ways and Means, but also by the Finance Committee of the Senate, so that we may know without any doubt as to what should be done. The question of social security is not a debatable one. We all admit it is necessary. Where we disagree is upon how much of a tax we should levy. It is for the purpose of ascertaining what should be done that we propose, as the gentleman, who is an esteemed and valuable member of the Committee on Ways and Means, knows, to hold such a hearing after the first of the year. We feel that the present rate should be frozen until we have had an opportunity to go into the question completely from all angles.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from North Carolina.

Mr. DOUGHTON of North Carolina. Is not the solvency of the fund determined by the reserve?

Mr. KNUTSON. Precisely.

Mr. DOUGHTON of North Carolina. The reserve is 100 percent more than they said would be necessary for 1944. Of course, the liability would not increase to that extent; everybody knows that.

Mr. KNUTSON. The reserve is greater today under the 1-percent tax than the actuary said we would have in 1948 under a 2-percent levy.

Mr. DOUGHTON of North Carolina. So an increase in the tax rate would not be necessary.

Mr. LYNCH. Mr. Chairman, will the gentleman yield further?

Mr. KNUTSON. I yield to the gentleman from New York.

Mr. LYNCH. Is it not a fact that today, insofar as all the liabilities of the fund and the reserve are concerned, if payments were made to the beneficiaries who are entitled to them there would be a deficit of $6,500,000,000?

Mr. KNUTSON. Does the gentleman mean to tell the House that the Social Security Board, which is dominated by his party, is gypping the people?

Mr. LYNCH. The gentleman and every member of that committee know it is costing more for these benefits than is being paid in, and that the minimum cost is 4 percent, by all authorities.

Mr. KNUTSON. We know no such a thing, and that is the reason we want to hold hearings.

Mr. LYNCH. Hearings have been held, and the testimony is that the minimum is 4 percent.

Mr. KNUTSON. The hearings that were held in 1939 are about as up-to-date as a last year's bird nest.

Mr. DOUGHTON of North Carolina. As to the amount of the reserve, we have taken in more than $1,000,000,000 in 1944, and it is estimated that we have paid out only $200,000,000.

Mr. KNUTSON. That is a juicy morsel for those who are continually pleading for the poor downtrodden, but no matter what you do today you are not going to increase or decrease by one penny the benefits that are being paid.

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

Mr. KNUTSON. Mr. Chairman, I yield myself 5 additional minutes.

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

Mr. KNUTSON. I yield to the gentleman from Arkansas.

Mr. MILLS. In order to prevent anyone's assuming that there is any attempt on the part of anyone to mislead the House or place erroneous information in the RECORD, based upon the hearings, I find on page 12, called to my attention by the gentleman from Tennessee [Mr. COOPER] that in response to his question Mr. Altmeyer indicates a different conclusion or result from that stated in response to the question of the gentleman from Minnesota. This is the testimony:

> Mr. COOPER. Now, Mr. KNUTSON's questions clearly indicated that he thought the present 1-percent tax on employers and employees would be sufficient to last for 20 years. That is wrong, is it?
>
> Mr. ALTMEYER. Yes, sir.
>
> Mr. COOPER. That means, then, that if the 2-percent tax as now provided by law is permitted to go into effect on January 1, the fund is estimated to be sufficient to carry the system for 20 years.
>
> Mr. ALTMEYER. Yes, sir.

Apparently Mr. Altmeyer misunderstood the question of the gentleman from Minnesota, or else there is a difference in his mind as to what the conclusion is, but I put this in the RECORD nevertheless.

Mr. KNUTSON. Mr. Altmeyer may have changed his mind between the time I interrogated him and the time the gentleman from Tennessee interrogated him.

Mr. MILLS. My point is this: In view of the erroneous conclusions that have been reached by the Social Security Board heretofore, prior to the war, even, as to the amount of revenue and the amount of liabilities that will be incurred annually, and the uncertainty as to the size of the fund that will be needed in the future, it is clearly evident that the Committee on Ways and Means is right in unanimously deciding to go into this whole subject next year and determine how much is needed to carry on this program.

Mr. KNUTSON. The gentleman from Arkansas will recall that when the original social-security bill was before the Committee on Ways and Means, under the operation of the Treasury proposal a reserve of forty-eight or fifty billion dollars would have been built up, a sum that staggers the imagination and defies reliable analysis.

The fact that Congress, on three previous occasions, has found it necessary to set aside scheduled increases in the rate, and now finds it desirable to do so again, suggests the need for a restudy of the whole matter of social-security financing in order that revenues may be adjusted to the active needs of the program without requiring annual action by Congress. Pending such a study, it is advisable to set aside the wholly unnecessary increase scheduled for next January 1.

Let me again remind the House that if the increase goes into effect on January 1, you are, in effect, taking $700,000,000 out of the pay envelopes of American labor. There is no more need of that than there is for the New Deal.

The same considerations which caused Congress to do away with the full reserve plan necessitate such action, as otherwise the reserve will grow to such unwieldy proportions as to encourage use of the moneys for all sorts of spending schemes. In fact, it must be kept in mind that the so-called reserve is nothing more than a paper reserve in any event, since the Treasury uses the social-security funds to meet current general expenditures, leaving only its I O U in the fund. Thus, the larger the fund, the more the Treasury will have to draw on, and the more must eventually be repaid when the I O U's come due.

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

Mr. KNUTSON. I yield.

Mr. DONDERO. Did the gentleman's committee have before it actuaries of life-insurance companies who have had many years of experience, to testify as to what is reasonably necessary as a reserve?

Mr. KNUTSON. I yield to the gentleman from New York [Mr. REED] who may be able to answer that question.

Mr. REED of New York. Yes; we had testimony from several of them. If I can get time later, I may quote from the testimony of one of them.

Mr. DONDERO. Did they say the reserve fund was adequate to take care of the needs of the reserve fund?

Mr. REED of New York. Yes.

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

Mr. KNUTSON. I yield.

Mr. EBERHARTER. There has been no testimony before this committee to

the effect that 1 percent is sufficient to carry the annual cost of these benefits, and neither has any actuary attempted to say that the reserve fund is sufficient for a longer period than perhaps 10 years. In other words, they are all agreed that the reserve fund is not sufficient to carry this system on through as was originally contemplated when the law was passed.

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

Mr. KNUTSON. Mr. Chairman, I yield myself 1 additional minute to answer the gentleman's question.

Mr. Chairman, we do know that the present rate is sufficient to carry the fund for the next 9 or 10 years. I agree with the gentleman that we do not know just what the rate should be in order to maintain a solvent reserve for the long-time future. That is the reason the majority of the Committee on Ways and Means wants to freeze the present rate until we can have an exhaustive study made of the whole question.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 15 minutes to the gentleman from Tennessee [Mr. COOPER].

Mr. COOPER. Mr. Chairman, it is with regret that I find I am unable to agree with the majority of my committee on the pending bill, H. R. 5564. I have always been grateful for the fact that it was my privilege to very actively participate in the drafting and passage of the Social Security Act. It was my privilege to serve as a member of the original subcommittee that gave much thought and study to the subject and to be a member of the second subcommittee that participated in the drafting of most of the original Social Security Act.

I mention that to try to convey the impression that I have always taken an active interest in this legislation. I happen to be the only Member of Congress who is still serving who was a member of those subcommittees that worked a long time on those measures.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield.

Mr. DOUGHTON of North Carolina. The gentleman overlooks the fact that the chairman of the committee was ex officio a member of the subcommittee and sat in on all of those deliberations.

Mr. COOPER. I am speaking only of the subcommittee. In 1935 the Congress enacted the Social Security Act, the greatest piece of legislation of its type ever enacted in the history of this or any other country in the world. It provided for old-age assistance or pensions, old-age benefits or annuities, unemployment compensation, aid to dependent children, maternal and child welfare, assistance for crippled children, vocational rehabilitation, public health, and aid to the blind.

In 1939, after 3 years of experience under the act, the Social Security Act was very materially amended. It was greatly expanded and broadened to take in thousands of additional people, especially with respect to old-age and survivors benefits. That is the part of the program under consideration with respect to the pending bill.

In the 1939 act the Congress launched the greatest insurance program in history. It wrote the largest insurance policy of all time. Overnight it provided insurance of some $50,000,000,000. It provided a method of paying the premiums on that large amount of insurance. It is on a contributory basis, the employer paying a tax, the employee paying a tax, thereby providing the fund to pay the benefits. Those benefits are provided as a matter of law. The people are entitled to them as a matter of right. There is no needs test applied at all. The solemn law of the land provides these benefits for the people.

I believe the action proposed in the pending bill will endanger the system. That is why I am opposed to it. I am confident that the increase in tax provided in existing law is essential for the protection of this system. All actuaries agree that at least 4-percent tax is necessary to provide a fund to pay the benefits, and some of them place it much higher. That is, 2 percent on the employer and 2 percent on the employee, which is provided in the existing law and will go into effect if the pending bill is not passed.

None of the witnesses appearing before the committee placed the average annual cost of this insurance system at less than 4 percent of the pay roll. Some of the estimates placed the average annual cost as high as 7 percent, and eventually an annual cost as high as 11 percent. Even if we accept the lowest estimate of 4 percent average annual cost, it may be said that the reserve fund of this system already has a deficit of $6,600,000,000.

If we take the higher estimate of 7 percent average annual cost it may be said that the reserve fund already has a deficit of about $16,500,000,000. I should like to point out the fact that Mr. M. A. Linton, president of the Provident Mutual Life Insurance Co. of Philadelphia, appeared before the committee in favor of freezing the tax, and when asked questions he stated that it would result in a subsidy having to be paid from the Treasury to pay for these benefits provided; and he very frankly stated that he favored that. He is in favor of a subsidy from the Treasury to help pay these benefits. That is nothing new to members of the Ways and Means Committee who have gone through all the proceedings on this matter. It was originally proposed by some people that there should be a three-way contribution, that the employer should contribute one-third, the employee one-third and the Government of the United States one-third. I present this only to point out the fact that if this freeze is accomplished it will endanger this fund and will require a subsidy to be paid from the Treasury of the United States.

I offer this simple illustration with the permission of my friend, the gentleman from Michigan: I do not believe it is fair to call upon the gentleman from Michigan as a general taxpayer of the Federal Government to pay me a special benefit when no needs test is applied. I may be worth many times more than he, yet as a general taxpayer to the Federal Government he would have to be paying me a special benefit.

As I said a moment ago, the continuance of the present pay-roll tax rate, 1 percent on the employer and 1 percent on the employee, which is sought to be frozen and continued by the pending bill, will require an eventual Government subsidy. If the rate of contributions is continued at less than the average annual cost of this insurance system, it is a mathematical certainty that there will be one of the following three results: First, the future pay-roll tax rates will have to be much higher if the insurance system continues to be financed wholly by pay-roll taxes; or, second, the benefits promised will have to be reduced; or, third, the Federal Government will be obliged to provide a subsidy out of the general tax revenues.

Mr. ROBSION of Kentucky. Mr. Chairman, will the gentleman yield for a little information at that point?

Mr. COOPER. I am sorry, but it will have to be very brief.

Mr. ROBSION of Kentucky. When is it anticipated that this subsidy would have to be paid by the Government?

Mr. COOPER. It is difficult to tell. The gentleman knows there are thousands of people now in covered employment because of the emergency. The fact is that practically a million people have already retired and are now on the benefit rolls. One hundred and sixty-five thousand people who had retired and begun their benefits went back into employment during this period of high employment and high wages. There are about 650,000 people now employed who are already eligible for retirement and the beginning of the receipt of the benefits. When this enormous number of people leave present employment due to the ending of this emergency the contributions they are now making will stop, the fund will thereby stop increasing, but, on the other hand, benefits will begin to accrue—they will begin to receive benefits all the way from $10 to $85 a month.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield at that point?

Mr. COOPER. Very briefly.

Mr. KNUTSON. The gentleman will recall that it was testified that the demand on the funds next year would not exceed $750,000,000. In some instances it ran as low as $400,000,000.

Mr. COOPER. That is the main difficulty about this matter. Anyone who has his vision limited to 1 year cannot begin to understand the principles or the purposes upon which social security rests. It is the future that we must look to. We are building up these benefits that are provided by law. When people begin to work they start to pay their contributions because they are acquiring benefits every day that they are covered in employment. Benefits is the thing that must be taken into consideration if you are to get anything like an accurate view of the situation.

Mr. DEWEY. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Illinois.

Mr. DEWEY. The gentleman has mentioned the subsidies that might be necessary to be paid to carry out the system. Is it not a fact that at the present moment the Government is subsidizing to the extent of about $700,000,000 annually the old-age pensions as a direct contribution, which is a subsidy? So there is nothing new in the matter when it becomes necessary.

Mr. COOPER. I am sorry the gentleman is trying to divert me from the subject under consideration. Old-age pensions has nothing to do with this bill. All that is paid under title I of the old-age system, commonly referred to as pensions, is a subsidy. Those people have not paid in anything and the Federal Government puts up dollar for dollar whatever the State is willing to put up; but bear in mind there is a need test applied. Unless the person is in need he cannot qualify for it. There is no need test applied at all under these benefits because this is insurance that people are paying for themselves and they are buying these benefits that they are entitled to as a matter of right.

Mr. McCORMACK. Will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Massachusetts.

Mr. McCORMACK. Old-age assistance is only a temporary stopgap necessary to meet the problem of the aged people, based on need, whereas this is an earned annuity which goes to persons as a matter of right when they have met the requirements of the existing law.

Mr. COOPER. The gentleman is correct. The present value of the benefits payable to those now eligible now amount to approximately four and one-half billion dollars. I repeat, four and one-half billion dollars. Those are the benefits they are entitled to now. This figure represents only the liabilities which the Federal Government has assumed for those persons already eligible for benefits. Since the reserve fund on January 1, 1945, will be $6,000,000,000, this leave only one and one-half billion dollars in the reserve fund to meet the liabilities which the Federal Government has assumed for the payment of benefits to the 69,000,000 persons who have accumulated wage credits but have not yet died or reached retirement age.

I want to invite attention to the fact that it must have been recognized that the freezing of the tax in the bill which became law over the veto of the President early this year endangered the fund, otherwise why did the Senate, after adopting Senator VANDENBERG'S amendment to freeze the tax, then adopt Senator MURRAY'S amendment providing that funds should be paid out of the General Treasury of the United States to pay benefits when the reserve became inadequate?

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. COOPER. Mr. Chairman, I want to call your attention to this provision which was inserted in the bill the last time this tax was frozen:

> There is also authorized to be appropriated to the trust fund such additional sums as may be required to finance the benefits and payments provided under this title.

Certainly they were so apprehensive when they adopted that freeze that they realized it was necessary to also put a provision in the law providing for payment of these benefits out of the General Treasury of the United States. That is the law today. You keep freezing this tax, thereby not allowing the fund to increase to the point that is necessary to pay the benefits, and it simply means that those benefits will have to be paid out of the General Treasury of the United States. That is in the law today, and so far as this bill is concerned, will continue in the law.

Mr. MILLER of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Nebraska.

Mr. MILLER of Nebraska. I am looking for light. The gentleman from Minnesota [Mr. KNUTSON] said that there were I O U's in the Treasury for the money paid in by the workers in industry. Is that money used as a general revenue-raising measure, or is that money available for the worker when he needs it?

Mr. COOPER. I am sorry; I do not have time to go into all of that. Let it be stated that every person entitled to a benefit receives his benefit when it is due; when he makes application for it. This trust fund is handled exactly the same as the trust fund for the veterans' insurance plan of the First World War, the same as the veterans' insurance plan of this war, the same as the civil-service retirement plan, the same as the retirement plan for people in the Foreign Service of the United States, and every other trust fund of the Federal Government.

Bear in mind that in 1939 the Congress wrote into the law survivors' benefits to widows and orphans and dependent parents in lieu of lump sums that were then provided. I would like to point out again, as I stated a moment ago, let it be remembered that we do not now have a normal situation due to this emergency, due to the manpower situation, due to this war. We have thousands of people who have remained in covered employment and thereby are paying in the tax and continuing to make contributions to the fund who are already of retirement age. When this emergency is over, which we all hope and pray will be soon, thousands of those people will stop paying the tax, stop making the contributions, and thereby the size of the fund will decrease, and at the same time they will go on the rolls for benefits to be paid, and thereby draw from the fund these large amounts. That is the practical situation we have presented today.

So I say to you with all the sincerity of my being that, based upon the actuarial information presented upon the authority of the Social Security Board, upon the authority of actuaries not associated with the Government, there can be no doubt that by further freezing this tax we endanger this fund and thereby jeopardize this insurance system.

Mr. CARLSON of Kansas. Mr. Chairman, will the gentleman yield?

Mr. COOPER. I yield to the gentleman from Kansas.

Mr. CARLSON of Kansas. I think in all fairness it should be brought out, however, that we have about 20,000,000 people who left uncovered employment and went into covered employment and will probably go back to uncovered employment, and therefore the fund eventually will be the beneficiary of great benefits they paid in, and they will not receive a cent.

Mr. COOPER. There will be some accretions to this fund, there is no doubt about that. Bear in mind that every time people go into covered employment, they build up benefits. Every time you increase the size of the fund you are increasing the burden, the liability of the benefits that are provided.

Under leave granted to extend my remarks, I include the dissenting views of certain members of the Committee on Ways and Means:

DISSENTING VIEWS

The undersigned members of the Ways and Means Committee respectfully submit their dissenting views relative to H. R. 5564, which has been favorably reported by the majority of the committee.

We deeply regret that our considered opinion with respect to this bill is at variance with a majority of our colleagues and that we cannot concur in the recommendation that the bill should be reported favorably.

The bill reported by a majority of the committee will prevent the rate of contributions under the Federal old-age and survivors insurance system from increasing on January 1, 1945, in accordance with the schedule contained in the present law. We believe this action to be unwise and detrimental to the basic principles underlying a contributory social-insurance system. Our reasons are summarized as follows:

SUMMARY OF OBJECTIONS TO THE BILL

1. The success of a contributory system of social insurance is at stake

We believe that the very success of this contributory social-insurance system which Congress established in 1935 is at stake and not merely the fixing of a tax rate in the usual sense of the term. The Congress of the United States in 1935 took a long step forward in undertaking to substitute for a hit-and-miss method of relieving destitution through a Government dole a systematic long-range method known as contributory social insurance. Under a system of contributory social insurance, benefits are paid as a matter of right without a means or a needs test and are related in an equitable manner to the length of time a person has been insured and the amount of his past earnings. An essential characteristic of any contributory social-insurance system is that the benefits are financed wholly or in large part from contributions made by or on behalf of the beneficiaries. It is just as true of a social-insurance system as of any insurance system that its security depends upon the certainty and soundness of the methods used to finance it. In financing a contributory social-insurance system it is necessary to make certain that the promises made today to pay benefits in the future can be and will be fulfilled. Under a social-insurance system providing old-age annuities based upon the length of time insured initial costs are low and ultimate costs are high. In the

case of this social-insurance system it has been estimated that the eventual annual cost will be 15 to 20 times what they are today.

2. The cost of benefits promised is far in excess of the contributions being collected

None of the witnesses appearing before the committee placed the average annual cost of this insurance system at less than 4 percent of pay roll. Some of the estimates placed the average annual cost as high as 7 percent and the eventual annual cost as high as 11 percent. Therefore, it is obvious that the actuarial soundness of this insurance system will continue to deteriorate so long as the current rate of contributions is kept at the present low level. Even if we accept the lowest estimate of 4 percent average annual cost, it may be said that the reserve fund of this system already has a deficit of $6,600,000,000. If we take the higher estimate of 7 percent average annual cost, it may be said that the reserve fund already has a deficit of about $16,500,000,000. The fact that we are collecting as much at the present 1-percent rate as it was estimated in 1939 we would collect at the 2-percent rate does not affect these estimates of cost and the size of the deficit, since the liabilities assumed by the insurance system have likewise increased.

One of the arguments advanced for not permitting the automatic increase in rate to take effect is that there should be a study made of the financing of this system and of social security generally. Another argument advanced is that Congress will soon consider the extension and broadening of the social-security law. These arguments lack validity, since the minimum cost estimate set forth above has not been disputed by any witness appearing before the committee and it is obvious that any extension and broadening of the social-security law will certainly not result in a reduction in cost. Therefore, there appears to be no good reason why present costs, which are not disputed, should not be properly financed.

3. The continuance of the present pay-roll-tax rate will require an eventual Government subsidy

If the rate of contributions is continued at less than the average annual cost of this insurance system, it is a mathematical certainty that there will be one of the following three results: (1) The future pay-roll-tax rates will have to be much higher if the insurance system continues to be financed wholly by pay-roll taxes, or (2) the benefits promised will have to be reduced, or (3) the Federal Government will be obliged to provide a subsidy out of general tax revenues.

There is of course a limit to the amount of pay-roll taxes that can be levied in justice to employers and workers. In the case of the workers the actuarial figures indicate that if the eventual rate is placed higher than 3 percent large numbers will be required to pay more for their benefits under this insurance system than if they obtained similar protection from a private insurance company. Since such a result would be clearly inequitable and since the repudiation by the Government of benefits promised is unthinkable, the only real alternative is an outright Government subsidy.

In making these statements, it should not be concluded that we are opposed to some eventual contribution by the Government to the social-insurance system out of general revenues, provided it is not caused solely by the fact that an unjustifiably low rate is levied in the early years of operation and provided there is complete coverage of the workers in this country. However, at the present time, there are some 20,000,000 individuals engaged in occupations which are excluded from the insurance system. We believe, therefore, that before any such contribution is made to the social-insurance system out of general revenues consideration should be given to broadening the coverage of the insurance program.

4. Freezing costs taxpayers more later on

A major argument that has been made by persons in favor of the tax freeze is that it does not make any difference to the taxpayers of the future whether they are required to pay taxes to cover the interest on Government bonds held by the reserve fund or are required to pay taxes for an outright Government subsidy to this insurance system. This argument was completely disproved in the course of the hearings, since not only the Chairman of the Social Security Board but M. A. Linton, president of the Provident Mutual Life Insurance Co., who advocates the freeze, both agreed that the amount of taxes to be raised in the future if there is no reserve fund will be twice as much as if there is a reserve fund. Both of these witnesses agreed that the interest payable on Government obligations held by the reserve fund would otherwise have to be paid to private investors who would be holding these obligations and in addition a subsidy of an equal amount would still have to be made to the insurance system.

5. Delay in automatic step-up will create future hardship for employers and workers

It has been suggested that now is a difficult time for employers and workers to meet the additional 1-percent tax on pay rolls. We sympathize with the difficulties of meeting the present tax burden made necessary by the war. However, we are of the opinion that it will be far more difficult for employers and workers to absorb an increase in the rate a year from now or at any date in the near future. The profits of most employers are at a high level today. In fact, the majority of employers will be required to pay excess-profits taxes. Therefore, in most cases the increased pay-roll tax payable by employers will be partially offset by the reduction in the excess-profits taxes they will be required to pay. So far as the workers are concerned, the committee was informed that both the American Federation of Labor and the Congress of Industrial Organizations are in favor of permitting the automatic increase to take effect. As members of the Committee on Ways and Means, the committee which has the difficult task of raising taxes, we are impressed by the willingness of the workers of this country to pay their equitable share of the cost of these benefits. We wish to commend these labor organizations for their statesmanlike action which indicates that they truly understand and appreciate the value of this contributory social-insurance system, and therefore desire to maintain its financial integrity.

6. Low contributions imply low benefits

The real reason why many people advocate keeping the contribution rate at a level below the true cost of the benefits provided is that they fear the accumulation of a reserve fund will create a demand for an increase in the size of the benefits. However, in our opinion the continuation of the present unjustifiably low contribution rate has the effect of making people believe that the cost of the benefits provided is low and that the value of the benefits provided is inconsequential. As already pointed out, the real cost and value is far in excess of the rate of contribution now being collected. The survivors' benefits alone have a face value between $3,000 and $10,000 for most families and as high as $15,000 for some families. The total amount of survivors' benefits provided have a face value of $50,000,000,000.

Most people estimate the value of what they buy by the price which they pay. Therefore, we believe that an increase in the contribution rate will result in less extravagant rather than more extravagant demands being made upon the Congress for an increase in the benefits provided.

7. Freezing not consistent with general congressional policy

The policy embodied in the majority's recommendations to freeze the rate of contributions under the old-age and survivors insurance system is defended on the ground that only sufficient contributions should be collected to cover the cost of benefits currently being paid out. However, this policy is diametrically opposed to the policy which the Congress follows in the national service life insurance system for veterans of World War No. 2, the Government life insurance system for veterans of World War No. 1, the civil-service retirement fund, the Foreign Service life insurance fund, and several other of the retirement funds set up by the Congress. In completely departing from this principle for the Federal old-age and survivors insurance fund we believe that the Congress is making a grave mistake.

CONCLUSION

For the reasons outlined above, we oppose the freezing of social-security contributions at the present time. We believe that the action of the majority of the committee is unwise and unsound.

We believe that it is important to strengthen the social-insurance provisions of the Social Security Act. We cannot do so unless we assure the continuation of the social-insurance provisions on a sound financial basis that will guarantee to every American citizen that he will get his social-insurance benefits as a matter of right and not as a dole.

We do not believe that the present provisions of the Social Security Act are perfect. We believe that many of the provisions in the existing law should be strengthened and expanded. We believe that the Committee on Ways and Means should give consideration to a comprehensive review of all of the provisions of the Social Security Act. Only in this way can the contributions and the benefit provisions be seen in proper perspective. However, we do not believe it is wise, pending such consideration, to emasculate the proper financing of the admitted true cost of the benefits now provided. We are opposed, therefore, to the piecemeal consideration of one aspect of social-security legislation and favor a comprehensive study of the entire social-security program with a view toward broadening, expanding, and strengthening its provisions so that it will make its full contribution to the preservation of our democracy and our system of free enterprise in the difficult reconversion and post-war periods.

JERE COOPER.
JOHN D. DINGELL.
A. SIDNEY CAMP.
WALTER A. LYNCH.
AIME J. FORAND.
HERMAN P. EBERHARTER.
CECIL R. KING.

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

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia [Mr. ROBERTSON].

Mr. ROBERTSON. Mr. Chairman, notwithstanding the fact that seven members of the Ways and Means Committee filed a minority report on the pending bill to freeze social security pay-roll taxes at present rates for another year, there is no fundamental difference in objective between those who voted to report the bill and those who voted against doing so. Every member of the committee wants to make a success of a contributory system of

social insurance. Every member of the committee frankly admits that an indefinite continuance of a 2-percent tax will require eventual Government subsidy. Every member of the committee voted to make a study at an early date of what constitutes an adequate contingent reserve fund and the rates required to produce and maintain that fund on a sound financial basis. The essential difference between the divergent groups in the committee is that a majority of the committee wishes to approach the problem from the standpoint of what is an adequate contingent reserve fund and the minority from the standpoint solely of rates. It should be apparent to every thinking man that there can be no proper determination of rates prior to the determination of the basic question of the amount of reserve fund you seek to create.

The second paragraph of the minority report is headed: "The cost of benefits promised is far in excess of the contribution being collected." With all due deference to the testimony of the Chairman of the Social Security Board before our committee to that effect, it is only fair to point out that in the past he has been unable to give us any estimate on either collections or disbursements that have been reasonably accurate. No one can blame the so-called experts for being so far off in their estimates 9 years ago, before there was any experience with the system. Most of them frankly admitted that their estimates were just plain guesses that might be at least 50 percent wrong. Greater accuracy was expected in 1939 but failed to materialize. Government experts in that year predicted that the reserve would reach the sum of $3,122,000,000 in 1944 after a 4-percent rate had been in effect for 3 of those years. The facts are that with a 2-percent rate throughout that period the reserve fund is now approximately $6,000,000,000, and at the same rate will approximate $7,250,000,000 by the end of 1945. In other words, in 1939 the Government experts missed their guess on what a given schedule of rates would produce by 100 percent. In 1939 Government experts declined to commit themselves to any specific contingent reserve fund, although most of them frankly admitted that a contingent reserve fund of forty-nine or fifty billion dollars, as contemplated by the original act, was not necessary to keep the system sound and on a contributory basis. The Secretary of the Treasury, Mr. Morgenthau, gave it as his personal opinion that the Congress would be safe in planning a contingent reserve fund which at all times would be not less than 3 times the highest prospective annual benefits in the ensuing 5 years. The 3 previous occasions on which the Congress has postponed the statutory increase in pay-roll taxes have not only been in keeping with that formula but that test of safety has been far exceeded. As pointed out in the committee report, the existing reserve is now from 8 to 10 times the highest expected annual expenditure. Therefore, the next subheading of the minority report which says: "The continuance of the present pay-roll tax rate will require an eventual Government subsidy," is a definite repudiation of the Morgenthau formula.

It is significant to me that the section of the minority report dealing with the cost of benefits does not refer to the estimate of the Social Security Board, which is annually made in keeping with the Morgenthau formula. That last estimate of the Board is to the effect that the highest annual expenditure will be between $450,000,000 and $700,000,000 in the next 5 years. The difference between the low estimate and the high estimate is so great that the average layman is forced to the conclusion that the Board is just guessing. In the same section of the report, referring to the unexpected and unpredicted increase in receipts, it is said that the liabilities assumed by the insurance system have likewise increased. That, of course, is true, but neither the Social Security Board nor anyone else undertakes to tell our committee how much the liabilities have increased. They certainly have not increased as fast as the assets because of several factors, among which may be enumerated the fact that young people must be in covered employment for a total of 10 years before becoming entitled to annuity benefits; thousands of employees have come into industry who otherwise would have retired, and when they go back to retirement the Government saves the millions of dollars they would have received in retirement benefits but did not receive during the war; many have worked at higher wages during the war than they received before the war but their annuity benefits have not been measurably changed. The maximum benefit with respect to taxes paid is at the $50 per month level and ends at the $150 per month level. Covered employees making more than $150 per month are profitable accounts. It is true that the Social Security Board now recommends that the benefits should be increased but that action as yet has not been taken by the Congress. The net result has been that the contingent reserve has increased faster than the contingent liability and the difference may properly be called a war windfall.

Section 4 of the minority report says:

> A major argument that has been made by persons in favor of the tax freeze is that it does not make any difference to the taxpayers of the future whether they are required to pay taxes to cover the interest on Government bonds held by the reserve fund or are required to pay taxes for an outright Government subsidy to this insurance system.

I never have made that argument and few who voted to report this bill have ever made that argument. To me, nothing is more absurd than to say that a Government bond in the reserve of a private insurance company is a good bond and a safe investment for the reserve fund but that a similar bond in the trust fund of the Social Security System is nothing but a worthless I O U. Those bonds are of equal dignity, of equal value, and are the safest investment that can be made either of premiums paid on private insurance policies or premiums by way of pay-roll taxes paid on Government insurance policies. In each instance the interest paid by the Government on those bonds is good money and a valuable addition to the reserve fund. If our Government had no debt and had no necessity to engage in deficit financing, the point might be made that we should not force the Government to go into debt through the investment of billions of pay-roll taxes in Government bonds. But our Government now has outstanding, mostly in the hands of private investors, over $200,000,000,000 in bonds, and our Government is engaging in deficit financing on a large scale. As long as there is a necessity for the Government to borrow money and to evidence its obligation for that money by the issuance of bonds, the interest paid on Government bonds in the social-security trust fund is just that much less interest to be paid to private investors. The Government pays the total interest on its total debt only once, and the people of the Nation are taxed only once for the payment of that total interest debt. So far as the general taxpayer is concerned it is a matter of indifference to him whether the taxes he contributes for the payment of interest all goes to private holders of Government bonds, or a part to private holders and a part to the trustees of the social-security trust fund.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. ROBERTSON]. The gentleman is making a splendid statement.

Mr. ROBERTSON. I thank the gentleman very much.

But it makes a lot of difference to the trust fund whether it receives any interest or does not receive any interest, and it makes a lot of difference to the general taxpayers if, after paying taxes to carry the interest on the total debt of the Nation, they must also pay taxes to help support the payments to be made under the Social Security Act. It is my contention, and it is the contention I believe of every member of our committee, that the social-security system should be self-supporting and that we should have a pay-roll tax and a contingent reserve fund sufficient to make contributions to the system from general taxation unnecessary. There can be no doubt about the fact that we now have such a system, and there can be no doubt about the fact that the freezing of current pay-roll taxes for another year will not render the system unsound. The statement contained in paragraph 7 of the minority report that we defend the freezing on the ground that only sufficient contributions should be collected to cover the cost of benefits currently being paid out is not justified. There may be some who favor that plan but they are not members of our committee. At the hearings before our committee last year a labor representative based his opposition to the proposal to freeze the pay-roll taxes at the existing rates on the ground that his labor organization wanted to see the fund increased in order that it might be justified in asking for larger benefits.

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

Mr. ROBERTSON. I yield to the gentleman from Minnesota.

Mr. KNUTSON. If for any reason the proponents of freezing should lose out, those who vote to increase the tax will, in effect, vote to place an additional 1-percent tax on the American workingmen?

Mr. ROBERTSON. I was just coming to that. I thank my colleague, who so graciously yielded me 5 additional minutes, for his suggestion.

During the hearings it was pointed out to Dr. Altmeyer that the best way for the Social Security Board to prevent a raid on what might appear to be an unnecessarily large contingent reserve fund would be for the trustees of the fund to set up on their books a liability account along with the account of assets. So far that has never been done, and I fear one reason it has not been done is that the trustees do not know with any degree of accuracy what figure to enter on their ledgers as the liability account.

But that is information that those who voted to freeze the pay-roll taxes for another year earnestly desire. We have been proceeding in the dark. We know that an additional 100 percent of pay-roll taxes in 1945 will fall heavily upon many small business enterprises. We are told that 500,000 small enterprises have already gone to the wall during the war effort. Some months ago a bill was introduced in the Senate calling for the payment of millions of dollars in severance pay to war workers on the ground that there would be great unemployment and great hardship in war industries when the war with Germany ended. We hope and we believe the war with Germany will be ended before the end of 1945. We believe that the present imposition of an additional $600,000,000 of pay-roll taxes principally on war workers will touch off either a demand for higher wages or for legislation similar to the Senate bill mentioned above. Under those circumstances, we deem it to be the part of wisdom to impose no unnecessary tax burden either on small business or on workers during 1945. Before the end of 1945 we will get the advice of the best experts in the country on what is necessary to put the social-security system on a sound basis and will act accordingly.

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

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Chairman, I really feel it is entirely useless and only drawing in the patience of a tired House for me to take the floor to discuss this issue, which reduced to its true proportions is simply: Shall we tax or not tax? Shall we freeze or not freeze? I have prepared a few remarks which may be useful at some future time when the question of increasing the social-security tax in pay rolls for old-age insurance is again presented to the Congress.

Mr. Chairman, the problem of freezing the social-security tax relates solely to the old-age and survivors insurance program, which is the only one under the act entirely administered by the Federal Government. Benefits under the old-age and survivors insurance system are financed by an equal rate of tax on the employer and the employee. They are based on the employee's wages—exclusively of amounts in excess of $3,000 received in any 1 year—and the employer's pay roll. The original Social Security Act of 1935 provided for the following tax rates:

Years:	Percent
1937–39	1
1940–42	1½
1943–45	2
1946–48	2½
1949	3

This schedule of rates was changed by an amendment to the social security adopted in 1939 to meet the change in the benefit structure. It was at this time that the 1½ percent tax rate for the years 1940, 1941, and 1942, was eliminated.

The 2 percent rate was to have become effective in 1943, but a provision in the Revenue Act of 1942 postponed the increase until the following year. This Congress froze the rate at 1 percent for 1943 and again at 1 percent for 1944. Unless this bill which is now being considered is adopted the rate of 2 percent will take effect January 1, 1945.

Why has the rate been heretofore frozen at 1 percent and why freeze the rate again at 1 percent? It is to prevent imposing an unnecessary and an unjust tax burden upon the employers and the employees alike. There is no necessity to increase the tax in order to protect the solvency of the old-age and survivors insurance system. Secretary of the Treasury Morgenthau presented the formula that should be followed to insure full protection to the beneficiaries of the system. I quote from the official recommendations made by Secretary Morgenthau to the Ways and Means Committee on March 24, 1939:

Specifically, I would suggest to Congress—

Said Secretary Morgenthau—

that it plan the financing of the old-age insurance system with a view to maintaining for use in contingencies all eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years.

Now then, the testimony presented to the Ways and Means Committee in the hearings on this bill, shows clearly that the highest expenditure for benefits under the old-age insurance and survivors system will not exceed $700,000,000 annually during the next 5 years, and in this connection the testimony is undisputed that the reserve last June 30 was $5,450,000,000. There is no sound reason why a reserve should be built up under the pretense of protecting the old-age and survivors insurance benefit when in truth and in fact the reserve will be spent to finance Government expenditures and war. Let taxes for war fall upon the public generally, and not upon the pay rolls of employees and employers. The money collected as a pay-roll tax for old age benefits should not be poured into the General Treasury to be spent for whatever fantastic scheme may be incubated within the inner circle of the boondoggling fraternity of the New Deal.

SUMMARY BACKGROUND OF SOCIAL SECURITY ACT OF 1935, AS AMENDED

The Social Security Act became effective upon signature by the President August 14, 1935. It was a combination of 10 measures relating to various aspects of public welfare and assistance. From the standpoint of public interest, at least, the 2 most important subjects dealt with in the act are old-age benefits and unemployment compensation. This summary is confined solely to old-age provisions of the act, particularly the financial aspects of the old-age benefit program.

The old-age program, in the original act, was founded upon the following tax rates:

Calendar years	Percent of earnings paid by workers	Percent of pay rolls paid by employer	Total percent of wages collected
1937–39	1	1	2
1940–42	1½	1½	3
1943–45	2	2	4
1946–48	2½	2½	5
1949 and thereafter	3	3	6

It was estimated at the time the act became effective, that at the end of the fiscal year ending June 30, 1944, under the foregoing rates, aggregate receipts for that year would total $1,185,900,000 and that the cumulative total in the reserve fund resulting from the excess of receipts over disbursements, would reach a total of $5,765,100,000. For annual estimates based upon original rate schedule, see Old Age and the Social Security Act, Thomas L. Norton, School of Business Administration, University of Buffalo, Buffalo, N. Y., 1937.

The act provided for the establishment in the Treasury of an old-age reserve account and authorized an annual appropriation to this account, beginning with the fiscal year ending June 30, 1937, an amount "sufficient as an annual premium to provide for the payments required under this title—old-age benefit payments—such amount to be determined on a reserve basis in accordance with accepted actuarial principles, and based upon such tables of mortality as the Secretary of the Treasury shall from time to time adopt, and upon an interest rate of 3 percent per annum compounded annually."

It was anticipated that the excess of receipts over appropriations to the special account a huge reserve would be accumulated reaching the staggering total of $47,000,000,000 by 1980 and thereafter with income and outgo relatively stable, would remain at or near that figure. It is important to note that this reserve was not planned to be self-accumulating. The amount appropriated each year to the account depended upon the amount requested annually by the Secretary and upon action by the Congress. Tax receipts would reach the reserve only if the Secretary requested the necessary appropriation and Congress made the appropriation.

After 3 years of experience under the original act an Advisory Council on Social Security was appointed by the Senate Special Committee on Social Security—subcommittee of the Committee on Finance—and the Social Security Board to consider, among other things, the advisability of increasing the taxes less rapidly under title VIII, and the size, character, and disposition of reserves. During this 3-year period, the reserve fund had grown to $1,180,302,000. Benefit payments had risen from $5,404,000 in the fiscal year ending June 30, 1938, to $13,892,000 in the following fiscal year.

In making its recommendations, the council observed:

The council believes that the contributory-insurance method safeguards not only the wage earner but the public as well. By this method benefits have a reasonable relation to wages previously earned, and costs may be kept in control relative to tax collections. Through careful planning, the continued payment of benefits can be assured without undue diversion of funds needed for other governmental services.

The council's financial recommendations centered on the theme of a contingent, as opposed to a full, reserve, and the use of tax revenues other than pay-roll taxes to supplement the receipts from the latter in future years. Specifically, the council said:

The financial program of the system should embody provision for a reasonable contingency fund to insure the ready payment of benefits at all times and to avoid abrupt changes in tax and contribution rates.

The council is of the conclusion that, in the financing of the insurance program, it is desirable to make provision for a contingency fund to insure ready payment of benefits at all stages of the business cycle and under varying conditions resulting from fluctuations in such factors as the average age of retirement, the total coverage under the program, and average wage rates.

With the changes in the benefit structure here recommended and with the introduction of a definite program of governmental contributions to the system, the council believes that the size of the old-age insurance fund will be kept within much lower limits than are involved in the present act.

In his testimony before the Ways and Means Committee in 1939, Dr. Altmeyer, Chairman of the Social Security Board, subscribed to the principle of Government contributions by saying:

It is possible to effect the changes I have outlined without increasing the eventual annual cost of the system; but the cost of paying benefits in the early years would be materially increased. For the first 15 years or so, the taxes provided for under the present law would probably meet this increased annual cost, and would also provide for some reserve, which would of course earn interest. But it would eventually be necessary to provide additional funds—either by increasing the pay-roll taxes * * * or by making up the deficiency out of other taxes. The Social Security Board believes it would be sound public policy to follow the latter course, utilizing preferably taxes like those on incomes and inheritance which are levied according to ability to pay. And the wider the coverage of the system the more extensive this general contribution might properly be. (See hearings, Ways and Means Committee, 1939, 76th Cong., 1st sess., Social Security, vol. 1, pt. 1, p. 64.)

In line with these recommendations of the council and the views of other economists and actuaries, including the Chairman of the Social Security Board, the employment-tax-rate structure was modified and the idea of a full-reserve fund was abandoned. The 1939 amendments continued the 1-percent levy on employers and employees from 1939 through 1942. The new rates were:

Calendar years	Percent of earnings paid by workers	Percent of pay rolls paid by employer	Total percent of wages collected
1939–42	1	1	2
1943–45	2	2	4
1946–48	2½	2½	5
1948 and thereafter	3	3	6

According to estimates made in 1939—see report of Ways and Means Committee, 1939 amendments, page 15—the reserve fund on January 1, 1943 was expected to reach the sum of $2,441,000,000 with benefit payments for the calendar year 1942 amounting to $350,000,000. The actual figures were: Trust fund, $3,227,194,000 as of June 30, 1942; benefit payments $110,281,000 as of June 30, 1942.

Undoubtedly the influence of the war telescoped the past estimates to place the trust fund many years ahead of its scheduled proportions. Acting on the obvious fact that the fund was sound and thoroughly adequate, Congress again postponed any increase in the rate of tax, and in an amendment to the Revenue Act of 1942 established the following new rate structure:

Calendar years	Percent of earnings paid by workers	Percent of pay rolls paid by employer	Total percent of wages collected
1939–43	1	1	2
1944–45	2	2	4
1946–48 [1]	2½	2½	5
1949 and thereafter [1]	3	3	6

[1] Subsequent amendments did not affect scheduled rates for 1946 and thereafter.

The fund continued to increase far more rapidly than original estimates as war production swung into high gear. Annual benefit payments likewise reflected the diminishing number of unemployed and fewer retirements by older workers with the result that again in 1943 Congress froze the 1-percent rate, setting up the following rate structure in an amendment to the Revenue Act of 1943:

Calendar years	Percent of earnings paid by workers	Percent of pay rolls paid by employer	Total percent of wages collected
1939–44	1	1	2
1945	2	2	4
1946–48 [1]	2½	2½	5
1949 and thereafter [1]	3	3	6

[1] Subsequent amendments did not affect scheduled rates for 1946 and thereafter.

On June 30, 1944, the reserve fund had reached the sum of $5,446,000,000. For the fiscal year ending June 30, 1944, benefits paid amounted to $184,597,000. At the end of the calendar year 1944 it has been estimated by the Social Security Board that the reserve fund will approximate $6,000,000,000, with benefit payments reaching the approximate sum of $200,000,000.

As I have already pointed out, when the social-security tax was frozen for 3 years at the 1-percent level in 1939 upon the recommendation of the Secretary of the Treasury, he said:

We should not accumulate a reserve fund any larger than is necessary to protect the system against unforeseen declines in revenue or increases in the volume of benefit payments. Specifically, I would suggest to Congress that it plan for financing of the old-age insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years. (Hearings, 1939 amendments, Ways and Means Committee, vol. 3, pp. 2113–2114.)

Life-insurance companies, reserves and insurance in force, Dec. 31, 1943, selected large companies

Company	Net reserve		Insurance in force paid for	Annuities in force—annual payments	Ratio, life-insurance reserves to insurance in force
	Life	Annuities			
Aetna Life	$481,514,581	$198,289,168	$5,867,882,586, including group [$3,808,246,867]	$29,383,339	0.082
John Hancock Mutual	935,997,717	207,007,936	$6,438,540,577, including group [$1,114,758,137], and industrial [$2,059,606,857]	36,615,353	.145
Metropolitan Life	4,793,115,700	690,731,145	$29,180,396,994, including group [$6,210,968,732], and industrial [$8,684,764,531]	92,097,328	.164
Mutual Benefit	639,316,845	29,050,490	$2,205,359,131	4,448,961	.290
Mutual Life, New York	1,071,962,414	189,981,846	$3,659,982,397	22,518,104	.293
New York Life	1,955,522,802	435,357,437	$7,340,581,744	48,976,926	.272
Northwestern Mutual	1,154,259,114	105,741,550	$4,257,440,292	10,636,181	.271
Prudential, New Jersey	4,126,938,366	434,642,743	$21,579,241,819, including group [$2,163,231,607], and industrial [$7,917,154,860]	62,804,516	.191
Sun Life, Canada	727,629,609	164,490,018	$3,173,417,467, including group [$595,980,580]	38,012,831	.229
Travelers, Connecticut	779,631,477	153,651,867	$6,287,149,509, including group [$3,313,514,447]	24,514,876	.124

Source: Unique Manual Digest, 1944.

Accident and Health Insurance:

A group of companies which write health and accident insurance were examined; their financial statements do not indicate the reserves attributable to health and accident insurance, or do not indicate the amount of such insurance; generally the companies which write health and accident insurance also write life or other insurance

ANALYSIS OF DISSENTING VIEWS ON 1944 SOCIAL-SECURITY TAX FREEZING BILL, H. R. 5564

First. The first objection to the bill states that the success of a contributory system of social security is at stake. This is not true. The funds in the social-security reserve for the payment of old-age and survivors' insurance claims are secure and adequate. No one has advocated the abolishment of the reserve fund. At the end of the calendar year 1944 it is estimated by the Social Security Board and the Treasury Department that the reserve will amount to approximately $6,000,000,000, and that benefits to be paid in 1945 will probably not exceed $200,000,000.

The formula furnished by the Secretary of the Treasury requires a reserve fund equal to three times the highest estimated benefits to be paid in any one of the ensuing 5 years. The highest estimate of annual benefits to be paid between now and 1950 does not exceed $700,000,000. Three times this amount is $2,100,000,000. Therefore, the fund today is three times larger than Secretary Morgenthau has told the Congress it was necessary to be.

In the face of these facts, it is utterly misleading to state that the success of a contributory system of social insurance is at stake.

Second. Those who dissent from the report of the committee say that the cost of benefits promised is far in excess of the contributions being collected, and argue that for this reason the rates should be increased in 1945 to 2 percent on the employer and employee.

Not one witness appeared before the committee with competent proof of the ultimate costs of the present system. No one disputed the actuarial soundness of the present reserve fund or return of collections. The testimony that was furnished was entirely guesswork. It must be obvious that the true measure of liability in the future consists of the future annual benefits to be paid. These are not expected to go beyond $1,000,000,000 for many, many years. The present rate of collections, although it may decline after the war, will not drop to such a figure as to endanger the payment of annual benefits.

Third. The continuance of the present pay-roll tax rate will require an eventual Government subsidy, and those who dissent say for this reason the rate should not go to 2 percent next year. In taking this position the dissenters are utterly inconsistent. It has always been contemplated until now by the Social Security Board and others, including some Members who signed the dissenting views, that the ideal system would require revenues from the employment tax, from interest on the reserve funds, and contributions out of the Treasury. As a matter of fact, the dissenting members admit that they may not be opposed to some eventual contribution by the Government to the social-insurance system out of general revenues. The Government already subsidizes old-age assistance programs. It is only fair for the Government, that is to say, the general taxpayer, to add assistance to old-age programs, because the public interest demands that all taxpayers support it, since all taxpayers benefit directly or indirectly from its continuance.

Fourth. It is said that freezing the rate at 1 percent for 1945 will cost the taxpayers more later on. The premise of this argument is completely false and the reasoning behind it is utterly distorted. The theory is that by paying less now the taxpayer will have to pay more later on. This is true only if there is no reserve fund, but there will always be a reserve fund of sufficient amount to meet unexpected fluctuations in wage levels, benefit payments, and other contingencies. One of the major functions of the reserve fund is to counterbalance the amount of required revenues, to act as a governor.

Fifth. It is said that delay in making the automatic step-up in rates will create future hardships for employers and workers; that it will be more difficult for employers and workers to absorb an increase a year from now or at any date in the near future. The currently high profit levels of employers is cited and the support of labor organizations to the proposed increase in rate is also mentioned. It must be pointed out that labor did not appear before the committee to advocate the increase. Labor is not currently on record with the committee in support of the 2-percent rate. This added tax will mean that employers will have less money to use in creating jobs. It will hamstring our whole reconversion program. We might as well nail industry to the floor and command it to rise The burden of this increase will be great, particularly among small employers. The big manufacturers and other corporations having large pay rolls and heavy taxes will not feel the shock to any extent. The men, however, particularly partnerships and individually owned businesses operating on a small scale, will be vitally and adversely affected.

Sixth. It is said that low contributions imply low benefits and that those who advocate the freeze fear the accumulation of a reserve fund as a stimulant to increased benefits. Those who dissent say that an increase in the contribution rate will result in less extravagant rather than more extravagant demands being made upon Congress for an increase in the benefits provided. It is interesting to note, however, that those who subscribe to this statement are the very ones who are foremost in the campaign to increase the benefits. The pressure is already being exerted to increase these benefits and the source of that pressure is the minority itself. The Social Security Board and every labor organization in the country, as well as many other reformers and dreamers, have been urging the increase of old-age and survivors' benefits for many years. How these people can argue now, in favor of increasing the rate of 2 percent on the grounds that it will adversely affect their own program is difficult to understand.

Seventh. It is said that freezing the rate is not consistent with general congressional policy as evidenced in the policy of Congress with respect to national service life-insurance system, civil-service retirement system, and other retirement programs under Government auspices. This is not true. The national service life-insurance system is a life-insurance program and should be administered as such. It is not social insurance. Neither is the civil-service retirement program. The policy of Congress as far as the freeze is concerned, must be measured by the past actions in freezing the rate at 1 percent consistently for the past 9 years and the attitude of Congress, the Treasury, and the Social Security Board heretofore with respect to the nature of the trust fund which supports the old-age and survivors' insurance program.

Originally that fund was regarded as a full reserve accumulation of assets, but in 1939 that concept was abandoned in favor of the theory of a contingent reserve fund large enough only to stabilize receipts and expenditures and avoid the fluctuations in economic conditions and unforeseen contingencies that would increase the demands made upon the reserve. It is unnecessary in an insurance program of this kind, sponsored by the Government, to maintain a full reserve system. As long as the Government has the power to tax, the system is secure.

Therefore, the argument of those who dissent that the continuation of the present freeze will render the system unsound is a specious and misleading contention. To freeze this tax for the year 1945 would certainly not "emasculate the proper financing of the admitted true cost of the benefits now provided" as stated by the minority.

The reserve fund, Mr. Chairman, is simply piling up beyond all bounds, and it simply means that if we do not hold this down to 1 percent, this money will be either boondoggled away, spent for the running expenses of the Government or for the prosecution of the war. As I said before, that is not fair to the employees, to throw this burden of financing the Government and financing boondoggling programs or running the war on them. They should not bear that load. They are being compelled to buy bonds. They are making a magnificent record in the purchase of bonds. Why should they be singled out for these special high taxes when they are not necessary for old-age security. The question of financing the Government should come under one tax bill, and the question of social security should come directly and exclusively under another set of taxes.

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

Mr. REED of New York. I yield to the gentleman from Minnesota.

Mr. KNUTSON. Has it occurred to the gentleman that they may want these additional funds as an additional source of revenue?

Mr. REED of New York. I do not have the slightest doubt that that is exactly the reason, so that when they come in with another revenue bill they will not be obliged to put on as high tax rates that they might be obliged to do if they did not throw this burden now on the employees of the country who come under old-age insurance.

Mr. Chairman, I ask unanimous consent to revise and extend my remarks and include a few observations with reference to life-insurance company reserves and insurance practices as of December 31, 1943. I have selected a few companies to show how very small their reserves are compared to the benefits of the policies they have issued.

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

There was no objection.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 10 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. KNUTSON. Mr. Chairman, I yield 5 additional minutes to the distinguished gentleman from Michigan.

Mr. DINGELL. Mr. Chairman, like my colleague from Tennessee, I too regret that it is necessary for to me to take issue with my colleagues on the Ways and Means Committee concerning this question of the automatic increase in the tax rate under the Federal old-age and survivors' insurance system. I hope that nothing that I may say during the course of my address will be taken as blanket criticism of the motives that have animated our distinguished chairman and some of the other members of the committee who have voted to freeze this tax rate. However, with all respect for their judgment and integrity, I do feel that they have not fully appreciated the serious effect of the action that they have taken on the success of this great contributory, social-insurance system which has barely gotten under way in this country and which all of us hope will be extended, expanded, and strengthened with all possible speed. I say this at the very outset because I shall be compelled in the course of my address to point out that most of the opposition to the automatic increase in the contribution rate now provided by law comes from the same individuals and groups within and without Congress who opposed the establishment of this great contributory social-insurance system in 1935 and who have opposed it more or less openly ever since its establishment. I realize that this is a serious charge and that it should be documented and I propose to document it in the course of my address.

I realize that the Members of this Congress, overburdened as they are with pressing war duties, cannot possibly be expected to study all of the technical considerations that are involved in the question that is before us for decision. However, I think it would clear up a great deal of misunderstanding on the part of the Members of this House and on the part of the public if all of us bore in mind constantly that what we are discussing is not merely a question of what a certain tax rate shall be but fundamentally a question of what premium is necessary to finance the benefits provided under this great contributory social-insurance system on a self-sustaining basis. If all of us thoroughly understood that it is an insurance premium and not a tax in the usual sense of the term that we are discussing there would be and could be only one conclusion; namely, that this contribution rate must be permitted to increase on January 1, 1945, if this insurance system is to be maintained on a self-sustaining basis. I say that there can be only one conclusion, because not a single witness before the Ways and Means Committee has contended that it will cost less than 4 percent as an average annual premium to finance the benefits provided under this insurance system on a self-sustaining basis during the years that are ahead of us. I repeat, not a single witness has denied that at least 4 percent is necessary.

What has probably confused a great many persons is the fact that this insurance system at the present time is collecting more in contributions than it is paying out in benefits and that the amount it has collected in contributions is about twice as much as was originally estimated. However, there could be no confusion if it were thoroughly understood that any old-age annuity system which pays benefits in accordance with the length of time insured is bound to have a low annual benefit cost in the early years of operation and tremendously high annual benefit cost in the later years of operation.

Unless we average the cost of these benefits over a long period of time it means that the beneficiaries who retire in the early years will pay far less than the actuarial value of their benefits and the beneficiaries who retire years hence will be required to pay much more than the actuarial value of their benefits. M. Albert Linton, president of the Provident Mutual Life Insurance Co. and a foremost advocate of this freeze, apparently took the position that it is not necessary in a social-insurance system to collect premiums high enough to cover the cost. He insisted that there was a "great difference between voluntary insurance and a compulsory Government plan where everybody has got to come in and to stay in and pay taxes." These are his exact words. However, when the time comes, as it will inevitably come unless we collect adequate contributions in the early years of the system, that the Government would be faced with the necessity of collecting a premium higher than it would cost to obtain the same insurance from a private insurance company, I am sure that Mr. Linton and private insurance companies generally would not be slow to exploit that fact in making comparisons between the cost of the protection provided by the Government and the cost if the protection were provided by a private insurance company. Since it would be manifestly unfair to make future beneficiaries pay more for the Government insurance than they would have to pay for similar private insurance, if Congress does not collect sufficient premiums now it means that Congress is automatically pledging itself to provide a Government subsidy out of general revenues later and is thereby abandoning a self-sustaining, contributory social-insurance system.

I submit that the Members of this Congress have not been fully informed as to the seriousness of the effect on the contributory social-insurance system of continuing to collect less in insurance contributions than the cost of the benefits promised. I submit that the Members of Congress have not been sufficiently warned that in continuing to collect less in insurance contributions than is necessary to finance the benefits promised they are pledging this Congress to provide an outright Government subsidy out of general revenues. I believe that if the Members understood this fully they would not hesitate in permitting adequate insurance contributions to be paid as provided in the present law.

I am sure that all of the Members of this Congress have had the same experience that I have had, namely, that they have been able to get a good idea of the true merits and significance of pending legislation by the respective individuals and groups who support and oppose such legislation. Since it is impossible for the Members of this House to study thoroughly all of the technical questions involved in the financial operations of a contributory social-insurance system, I suggest that it would be worth while for them to at least consider who are supporting the necessary automatic increase in contribution rates and who are opposing this increase. After all, this contributory social-insurance system was created to protect the workers of this country against the hazards of loss of wages due to premature death and old age. Are these beneficiaries urging that their rate of contributions be kept at the present inadequate level? By no means. On the contrary, the two great labor organizations are urging that Congress permit the rate of contributions to increase as provided by law, just as they have urged that this be done on the three other occasions when Congress has prevented the automatic increase provided by law from taking effect. We all know that people do not like to pay any more taxes than they have to and that they do not like to pay any higher insurance premiums than they have to. Therefore, is it not significant that the beneficiaries of this system feel that it is necessary that this rate be increased and are prepared to pay their fair share of the increase as provided by law?

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

Mr. DINGELL. I yield briefly for a question.

Mr. KNUTSON. Mr. Chairman, I do not recall that the great labor organizations asked to have the increased tax go into effect. It is true that Mr. Miller of the trainmen, did appear but upon interrogation it was conclusively shown that Mr. Miller's information on the subject was very, very limited.

Mr. DINGELL. Mr. Miller said he discussed the matter with authorized representatiives of both the C. I. O. and the A. F. of L. and that they assured him they opposed the pay freeze. However, I will insert in the RECORD, a statement from Mr. Hutcheson of the American Federation of Labor and a copy of a letter which was sent to the chairman of the Committee on Ways and Means. I am glad the gentleman brought that question up. In that letter the president of the American Federation of

Labor says under date of November 30, to Hon. ROBERT L. DOUGHTON of North Carolina, in the very first paragraph:

Being advised that your committee has under consideration, the freezing of the social-security pay-roll deductions at 1 percent, I wish to advise that the American Federation of Labor is very much opposed to the freezing of the tax.

Mr. Chairman, I shall also insert in the RECORD, a similar expression from the C. I. O. That makes labor complete on its opposition and bears out the statement which I have made. I hope that covers the subject of the inquiry of the gentleman from Minnesota.

Mr. KNUTSON. Usually these labor leaders speak for themselves, rather than these organizations.

Mr. DINGELL. They speak with authority in this instance, I assure my friend. The letters I referred to are as follows:

NOVEMBER 30, 1944.

Hon. ROBERT L. DOUGHTON,
Chairman, Ways and Means Committee, House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: Being advised that your committee has under consideration the freezing of the social-security pay-roll deductions at 1 percent, I wish to advise that the American Federation of Labor is very much opposed to the freezing of the tax.

We sincerely hope that your great influence will not be used to aid in freezing the rate of pay-roll deductions at 1 percent, but that it will be directed to the fundamental problem involved, which is how to make the old-age annuities and survivors benefits worthy of the name "social security." The average primary annuity of June 1944 was $23.46, which obviously ought to have been increased as quickly as funds were available.

It is common information that many persons receiving annuity benefit payments have responded to the call for war workers but will again apply for benefits. In addition, we know the proportion of older workers to the population is steadily increasing the number of potential claimants. Had funds been accumulated as planned by the law in this period of high employment, it would have been easier to pay decent annuities.

Labor thinks it is possible to enable persons who have been self-supporting to have annuities that will make them self-dependent when they are no longer physically able to work. Sometimes inability to work comes prematurely. This same fund should take care of these persons also. There are others now uncovered whose incomes are small, who should be given opportunity to have insurance against the emergencies that commonly force persons on relief.

Unemployment insurance should be improved and coverage extended. Medical care for all is also urgent.

A proposal has been made by Senator VANDENBERG to refer to a committee of citizens the task of studying the operation of the Social Security Act up to the present time, including fiscal policies for the purpose of recommending amendments to provide needed expansion in coverage and benefits. This seems to me to be a very wise suggestion and I feel that such a committee should include adequate representation for workers, employers, and the general public, as this is a proposal that vitally concerns employers, the workers, and the entire Nation.

While technical experts would be needed by such a committee, the groups mentioned have experience in their special fields which is essential to the determination of wise and sound policies. This committee should, therefore, employ experts and also have access to all the information and records of the Social Security Board.

I hope that the contents of this letter will be laid before the entire committee in order that it may be considered.

Sincerely yours,

———,
President, American Federation of Labor.

AMERICAN FEDERATION OF LABOR,
Washington, D. C., December 1, 1944.

Hon. JOHN D. DINGELL,
House of Representatives,
Washington, D. C.

DEAR CONGRESSMAN: The American Federation of Labor was not able to present its opposition to the freezing of the social-security tax at 1 percent before the Ways and Means Committee for the following reasons:

On November 27 I learned of the compromise proposal of setting the tax at 1½ per cent as of January 1, 1945, and as the American Federation of Labor has a special committee on social security which was to meet the first of this week in New Orleans at our convention, I immediately sent full information to President Green for transmittal to the committee, with the further request that I be immediately notified of any action taken.

On November 30 I received a wire from President Green in regard to the matter and immediately called the House Ways and Means Committee and learned that the hearings had been concluded the previous day.

Under the circumstances, a letter was sent by Mr. Green to Chairman DOUGHTON and I am pleased to enclose a copy of this letter for the information of all concerned.

With kindest personal regards and best wishes,

Sincerely yours,

W. C. HUSHING,
Chairman, National Legislative Committee, American Federation of Labor.

CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D. C., December 1, 1944.

MY DEAR CONGRESSMAN: Attached is a copy of the letter I wrote to Majority Leader MCCORMACK and Minority Leader MARTIN of the House of Representatives stating the position of the C. I. O. on the freezing of the social-security contributions at the present levels. The attached letter clearly outlines the reasons of the C. I. O. for increasing the social-security contributions in January 1945, and it is my sincere hope that when this legislation is brought to the floor of the House for action you will refuse to go along with any weakening of the present social-security system.

Sincerely yours,

NATHAN E. COWAN,
Legislative Director.

CONGRESS OF INDUSTRIAL ORGANIZATIONS,
Washington, D. C., November 30, 1944.

MY DEAR CONGRESSMAN: The C. I. O. at its recent convention voted unanimously to oppose the freezing of social-security contributions and to support the increase in the old-age and survivors insurance contributions scheduled for next January 1.

Today the majority of the House Ways and Means Committee voted to freeze these old-age and survivors insurance contributions at previous levels, thus turning the clock back during these closing days of the Seventy-eighth Congress at the time when the country is looking to the Seventy-ninth Congress for forward motion on a broad social-security program. The C. I. O. favors early action on a sound and comprehensive social-security program as one of the necessary cornerstones for prosperity and for freedom from want in the post-war world. Full employment for those who can work must be linked with social insurance for those who are unable to work and with insurance against the costs of medical care, if a basis is to be laid for a sound post-war economy.

The C. I. O. believes that a comprehensive and adequate social-insurance system should be financed through contributions of employers and employers supplemented by a contribution from the general tax revenue of the Government. The increase of the old-age and survivors-insurance contribution to 2 percent on employers and employees will be needed to cover the costs of the present benefits. That rate of contribution and more will be needed for a complete program, even if a part of the total income to the insurance system comes from general revenues.

If the Congress acts to prevent the automatic increase of social-security contributions next January, this will be the fourth time the planned gradual introduction of the contribution step-up has been set aside. This continued postponement injures the financial stability of the present system. The same groups who support the freezing of the contributions were also opposed to the original old-age insurance program in 1935 and have fought openly or through delaying tactics against the improvement or expansion of the present program. They do not speak for the workers of America; they are not the friends of social security for the American people.

Those who oppose the scheduled contribution step-up argue that total current income from social-insurance taxes is higher than was expected and is higher than current disbursements. But employment is higher than was expected; earnings are higher; social-security wage credits are higher and future benefits will be higher; and more workers are accumulating wage credits and rights to future benefits. All actuarial studies show that at least the 2-percent rate will be needed. When the disbursements rise in the future—as they must—because the benefit rights will mature in the course of time, we want assurance that the necessary premiums have been collected, that the trust fund has ample money, and that benefits will be paid to workers and their families as a matter of right. The workers of America will want the promised insurance benefits when they come due.

The C. I. O. wants the scheduled old-age and survivors-insurance increase to stand for the same basic reasons that it is actively supporting the Wagner-Murray-Dingell bill. The C. I. O. wants more and better social security and its members are paying their fair share of the cost. This is no time to undermine the social-security program. Both workers and employers can better absorb an increase now than they may be able to do a year from now. The added funds are needed for the present program; they will certainly be needed for the expanded program which the people of this country are determined to have for themselves and for their children. We strongly oppose the freezing of contributions and urge that the Congress refuse to go along with any weakening of the present social-security system.

Sincerely yours,

NATHAN E. COWAN,
Legislative Director.

Mrs. NORTON. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield.

Mrs. NORTON. Is it not a fact that both the A. F. of L. and the C. I. O., in convention, expressed themselves as being opposed to the freeze?

Mr. DINGELL. I understand they have taken definite action on that particular question in recent conventions.

Mrs. NORTON. That is my understanding.

Mr. DINGELL. There can be only one explanation of this attitude on the part of the workers of this country, and that is that they realize that unless this insurance system is adequately financed and unless they are willing to pay their fair share of the cost they cannot be sure that these benefits will be paid when due. They realize fully that if they are obliged to depend in future years upon a Government subsidy out of general revenues their benefits will by no means be as secure as if they are paid out of a reserve fund made up of Government obligations, the same sort of Government obligations that are being held by the banks and insurance companies and other private investors throughout the Nation.

Just where, then, is the opposition coming from against permitting this increase in insurance contributions from taking place? I said at the outset of my remarks that I would undertake to establish that the opposition to the collection of adequate insurance contributions comes largely from the same individuals and groups within and without Congress who opposed the original establishment of this social-insurance system. I shall now proceed to document that charge.

Let us go back to the establishment of this system in 1935. One of the groups now opposing the automatic increase in contribution rates is the National Association of Manufacturers. Just what attitude did the National Association of Manufacturers take in 1935? It opposed both the unemployment insurance and old-age insurance provisions. It questioned the constitutionality and urged that if Congress insisted upon taking action, at least it defer action for further study. A great amount of the present opposition to the automatic increase in the contribution rate comes from the Ohio Chamber of Commerce and its affiliates. What attitude did the Ohio Chamber of Commerce take in 1935? Perhaps it is well for me to quote the exact language of the statement submitted by George B. Chandler, of the Ohio Chamber of Commerce, to the Ways and Means Committee. Here is the statement that Mr. Chandler submitted:

1. Ohio business protests against the coercion of the States by the Federal Government as represented by the assessment on pay rolls and in other ways. This procedure is repugnant to American institutions, destructive of the historical relationships between State and Nation, and calcu'ated in the end to do permanent harm and little immediate good.

2. Ohio business believes that legislation of this class will permanently weaken the fiber of the American people. Self-reliance has been the key to American success. It has been the initiative, thrift, and self-sacrificing foresight of the individual and the family which has brought this country to its proud position. This legislation starts this country on a pathway from which there will be no retreat in the course of the next two generations. When the time comes—as it surely will—to reverse these policies incalculable harm will have been done to the character of the population.

Time will not permit me to discuss all of the individuals and groups who opposed the contributory social-insurance provisions in 1935 and who now oppose the necessary increase in the contribution rate. Before turning to a discussion of the 1935 opponents in Congress, I should like to observe that, while practically all of the opposition comes from employer groups, I believe there is a great difference between the motives actuating big business and small business. Big business can easily pay its share of the increased contribution rate. In fact, a representative of big business testified before the Ways and Means Committee that about half of the employers' contribution was probably offset by a reduction in the excess-profits tax. Therefore, the opposition of big business to this increase cannot be explained on the basis of hardship to business but upon continued opposition to the fundamental principle of contributory social insurance. However, in the case of small business unquestionably there are many instances of individual hardship. But, even so, I believe that small-business men would be more willing to pay their share of the contributions if they themselves could also enjoy the protection of this great contributory social-insurance system. And I for one shall do everything in my power to extend its protection to them. In many small businesses the proprietor is just as much exposed to the hazards of premature death and old age as are his workmen, and I see no good reason why he should not enjoy the same protection.

Now, let me turn to the opponents of contributory social insurance in Congress. What attitude did the minority party members of the Ways and Means Committee take in 1935 toward this old-age insurance system? So that there can be no question about the attitude that the minority party members took, I think it is best for me to read the exact language they used in a report which was signed by all and only minority party members of the committee:

Title II provides for compulsory old-age annuities, and title VIII provides the method by which the money is to be raised to meet the expense thereof.

These two titles are interdependent, and neither is of any consequence without the other. Neither of them has relation to any other substantive title of the bill. Neither is constitutional. Therein lies one of the reasons for our opposition to them.

The Federal Government has no power to impose this system upon private industry.

The best legal talent that the Attorney General's office and the "brain trust" could marshal has for weeks applied itself to the task of trying to bring these titles within constitutional limitations. Their best effort is only a plain circumvention. They have separated the proposition into two titles. This separation is a separation in words only. There is no separation in spirit or intent. These two titles must stand or fall together.

The learned brief submitted by the Attorney General's office contains in its summation the following weak, apologetic language:

"There may also be taken into consideration the strong presumption which exists in favor of the constitutionality of an act of the Congress, in the light of which and of the foregoing discussion it is reasonably safe to assume that the social-security bill, if enacted into law, will probably be upheld as constitutional."

We also oppose these two titles because they would not in any way contribute to the relief of present economic conditions and might in fact retard economic recovery.

The original bill contained a title providing for voluntary annuities. This was another attempt to place the Government in competition with private business. Under fire this title has been omitted. It was closely akin to title II. In fact, it had one virtue that title II does not possess in that it was voluntary while title II is compulsory.

These titles impose a crushing burden upon industry and upon labor.

They establish a bureaucracy in the field of insurance in competition with private business.

They destroy old-age retirement systems set up by private industries, which in most instances provides more liberal benefits than are contemplated under title II.

Some of the gentlemen who were minority members of the Ways and Means Committee in 1935 are still members of that committee. I know that in 1935 many of the minority members joined with the majority members in the final vote that was taken on the Social Security Act. However, some who did not are still members of the Ways and Means Committee. I know that by 1939 they had abandoned their open opposition to this contributory social-insurance system. Perhaps they benefited by the fact that their Presidential candidate in 1936 chose this contributory social-insurance system as a focal point of attack on the Democratic administration and was overwhelmingly defeated as a result. Mr. Landon, you may recall, alleged that this contributory social-insurance system was "a fraud on the workingman" and "the saving it forces on our workers is a cruel hoax."

Let me also remind you that during the last 2 or 3 weeks of the 1936 campaign the industrial division of the National Republican Campaign Committee, under the chairmanship of A. R. Glancy, formerly vice president of the General Motors Co., sent out millions of pay-envelope inserts, a photostatic copy of which I hold in my hand. This pay-envelope notice is headed "Deductions from pay start January 1," and reads as follows:

Beginning January 1, 1937, your employer will be compelled by law to deduct a certain amount from your wages every pay day. This is in compliance with the terms of the Social Security Act signed by President Franklin Delano Roosevelt, August 14, 1935.

The deduction begins with 1 percent, and increases until it reaches 3 percent.

To the amount taken from your wages, your employer is required to pay, in addition, either an equal or double amount. The combined taxes may total 9 percent of the whole pay roll.

This is not a voluntary plan. Your employer must make this deduction. Regulations are published by—

And then in large letters at the bottom of the page—

Social Security Board, Washington, D. C.

Apparently in order to give the impression that this was an official notice sent out by the Social Security Board in Washington. As you may also recall, the Chairman of the Social Security Board at that time was John G. Winant, three times Republican Governor of the State of New Hampshire and at present Ambassador to Great Britain. Mr. Winant was so outraged that he resigned from office in order that he might be free

to defend the Social Security Act. In his letter of resignation he stated:

Today we know that both the Republican platform and the Republican candidate have definitely rejected the constructive provisions of the Social Security Act, only to fall back upon the dependency dole—a dole with a means test, which in my State includes the pauper's oath and disenfranchisement.

To combat this kind of misleading and reprehensible propaganda I was called upon to prepare the folder which I hold in my hand and which was circulated in large numbers in many States.

WORKERS! LEARN THE TRUTH ABOUT THE SOCIAL SECURITY ACT—LEARN WHY SOME EMPLOYERS ARE OPPOSING IT AND SPREADING FALSE PROPAGANDA AGAINST IT

(By JOHN D. DINGELL, Member of Congress, Fifteenth District)

For old-age benefits on a salary of $100 per month for example:

For your benefit you pay per month:
Year 1937---------- 1 percent or $1
Year 1949---------- 3 percent or $3

Your employer pays per month:
Year 1937---------- 1 percent or $1
Year 1949---------- 3 percent or $3

Unemployment insurance on a salary of $100 per month for example:

For your benefit you pay per month:
Year 1937---------- nothing
Year 1938---------- nothing
Year 1939---------- nothing

Your employer pays per month:
Year 1937---------- 1 percent or $1
Year 1938---------- 2 percent or $2
Year 1939---------- 3 percent or $3

Thus it is evident your employer pays in 1937 for old-age benefits and unemployment insurance $2 per month for your benefit to which is added your $1.

Therefore an employer of 100,000 employees pays monthly to both funds 100,000 times $2, or $200,000, or $2,400,000 per year. In 1949 this same employer will pay for your benefit three times $2,400,000 or $7,200,000 per year. This example proves why the employer is opposed.

While you pay only $12 in 1937, this employer pays for the benefit of you and your fellow employees $2,400,000.

While you pay only $36 in 1949, this employer pays for the benefit of you and your fellow employees $7,200,000.

There are several big employers in the United States who employ more than 100,000 employees. Thus the total amount which they will pay will be correspondingly larger.

Under the old-age benefit plan, a young man 35 years of age who starts paying his premium on January 1, 1937, and remains in the system for 30 years will receive a monthly pension of $42.50 for the remainder of his life if his average monthly wage has been $100. An older man who was 60 years of age when he entered the system on January 1, 1937, and retires 5 years later would receive a monthly pension of $17.50, based on an average monthly wage of $100. The young man during the course of his life would have contributed $900 and his employers would have contributed $900, but if he lives out a normal life expectancy, he would receive as much as $6,000. The older man would have contributed only $72 and his employer an equal sum, but he would receive in benefits, if he lives out his normal life span, a total of $2,500.

Under the unemployment-insurance plan, if laid off through no fault of his own, the employee will receive half pay for a maximum of 16 weeks and will receive assistance in securing another job.

This is not, strictly speaking, a tax; it is an insurance premium, and you get all of the benefit. Any statement that the money may be used for any other purpose is absolutely false.

Republicans are trying to scare the beneficiaries of the plan by pointing out that their individual accounts will have to be designated by numbers. This is a common business practice today in automobile and manufacturing plants. Public utilities assign numbers to designate their customers. The Veterans' Administration uses numbers to designate veterans' claims. The use of numbers, case histories, and maternal names will be essential to correct and effective handling of the largest roll of registered employees ever compiled.

Since the employer puts away in a special fund large sums of money each year for depreciation of buildings, equipment, and machinery, why should he not be required to provide for the depreciation of the human being whose life is being used up in production?

This Social Security Act provides security and comfort in old age, removes the haunting specter of the poorhouse, and provides unemployment benefits. It provides aid for the crippled, blind, and the handicapped; benefits for dependent children, for widows, and orphans; maternal assistance and hospitalization.

The act is the strongest plan ever devised for man's present and future security.

The most progressive elements of employees, such as school teachers, city firemen, policemen, postal employees, and civil-service employees, to say nothing of the railway brotherhoods, and other trade-unionists, instituted their own security and pension plans and voluntarily taxed themselves as high as 5 percent for the same purpose.

A large number of employees at the present time are being taxed by deductions from their pay by employers for company pension plans, many of which are little better than worthless.

The problem of social security was thoroughly studied by the President's Cabinet committee, consisting of the foremost economists, sociologists, insurance executives, insurance actuaries, and men and women who have devoted their lives to social and economic problems. These studies extended over a period of 9 months before the report was presented to the Ways and Means Committee of the House and to the Finance Committee of the Senate. Both committees devoted many weeks to public hearings and additional weeks in executive session in the perfection of the bill. Every safeguard was invoked. Yet in spite of the expert advice, the Roosevelt administration and the Congress concede that the operation of the act will disclose certain minor weaknesses, which can easily be corrected. The plan, however, is fundamentally sound.

It is significant that on final passage of the bill only 16 Republican Congressmen in the House and 5 Republicans in the Senate voted against the bill. More significant to the people of Michigan is the fact that of the entire Michigan delegation in both Houses, only one Republican Congressman, CLARE E. HOFFMAN, voted against it. Republican Minority Leader Snell, of the House of Representatives, and Congressman MARTIN, eastern manager for Governor Landon, voted for the bill. The arch critic of social security in Michigan, Senator VANDENBERG, voted in favor of the act.

As the beneficiary under the Social Security Act you should sustain and support President Roosevelt as a matter of self-defense. Alfred Landon and the Republican Party are committed to the destruction of the social-security plan. For your protection vote straight Democratic.

JOHN D. DINGELL,
Member of Congress,
Fifteenth District of Michigan.

Now, if we turn to the United States Senate, whom did we find opposing this contributory social-insurance system there? We found the Republican Senator from Delaware, the Honorable Daniel O. Hastings, who, as you know, was, and I have no doubt is still, closely identified with the du Pont interests. At that time Senator Hastings was a member of the Senate Finance Committee, and this is what he said at the hearings held by the House Ways and Means Committee:

My fear is that when the Federal Government undertakes the job of social security, through direct taxation for that purpose, it has taken a step that can hardly be retraced. I fear it may end the progress of a great country and bring its people to the level of the average European. It will furnish delicious food and add great strength to the political demagog. It will assist in driving worthy and courageous men from public life. It will discourage and defeat the American trait of thrift. It will go a long way toward destroying American initiative and courage.

Now, just what position did the Republican Senators take at that time? Their position is fully revealed in a vote which was taken on an amendment offered by Senator Hastings to strike out the old-age insurance titles from the Social Security Act. Of 15 votes in the Senate to support the Hastings amendment, 12 were cast by Republican Senators. And let me point out to the Members of this House that one of the Republican Senators who joined with Senator Hastings in his attempt to remove the old-age insurance provisions from the Social Security Act was the Honorable ARTHUR H. VANDENBERG, of my State, who has taken the lead in advocating these successive freezes in the rate of contributions.

Now, I dislike to recount this history of the attitude of the Republican Party, since I feel that the question of social security should be considered on a nonpartisan basis. I think increasingly the Republican Party has accepted social security as necessary and inevitable. Certainly their last Presidential candidate seems to have done so when he advocated the extension of this contributory social-insurance system which we are discussing to the 20,000,000 persons not now insured. However, the Republican Party itself has made a partisan issue of this necessary increase in the rate of contributions, when the Republican steering committee voted to instruct the Republican members to vote against the increase. I hope that the Republicans and Democrats alike will join in the enactment of an extended, expanded, and strengthened social-security system. Therefore, I hope that nothing I have said on the floor today will be taken as a personal affront or an advance indictment of their future attitude. However, I felt that in justice to the Members of this House and in view of the vital effect any further action to delay the collection of adequate insurance contributions will have upon this contributory social-insurance system, it was necessary for me to point out that consciously or unconsciously a great deal of the opposition may be due to what

one might call a hang-over of an attitude of opposition to the basic idea of contributory social insurance. Therefore, I wish to plead with my friends on both sides of the aisle to reappraise their thinking and search their consciences before they make a final decision as to how they shall vote in this important matter. In my opinion, whether we realize it or not, we are deciding the whole future course of social security in this country—whether we shall have a genuine contributory social-insurance system where benefits are paid as a matter of right or whether we shall have a system of Government handout or dole, requiring the taking of a pauper's oath.

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

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois [Mr. DEWEY].

Mr. DEWEY. Mr. Chairman, I ask unanimous consent to proceed out of order for a very brief period.

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

There was no objection.

Mr. DEWEY. Mr. Chairman, this is probably the last time I shall rise in the well of this House to speak on a major issue as a member of the Ways and Means Committee, I therefore take this opportunity to pay my respects to the Speaker of the House of Representatives, to the chairman of my Ways and Means Committee and all my colleagues thereon, and also to all my colleagues in the House of Representatives of the United States.

I wish only that my fellow citizens throughout our land during these troublous years knew with what honesty of purpose and what industry, with what high mindedness you cared for their affairs and the affairs of the country. It will always be one of the greatest honors of my life and one of its most pleasant memories that I could work so closely with you.

Mr. Chairman, in this matter that is before the committee there has been a good deal of talk pro and con as to a large reserve. Let me say without any equivocation whatsoever that I, as I believe are all of you, am squarely behind an old-age and survivor insurance system as a national policy. The only thing I think all of us are attempting to do is to see that it is sound in every respect.

I have heard several of the speakers refer to the social-security systems employed in foreign countries. I understand some countries have had old-age benefit systems for 60, 70, and even more years. I believe, therefore, it might be wise to consider their experience.

One of the witnesses before the Committee on Ways and Means, Mr. Albert Linton, president of the Providence Mutual Life Insurance Co., of Philadelphia, referred to an Englishman who has given great study to old-age pensions and social security, Sir William Beveridge. In referring to the requirements of a reserve fund, Mr. Linton quoted a statement made by Sir William Beveridge, and I will read that quotation:

> In providing for actuarial risks, such as those of death, old age, or sickness, it is necessary in voluntary insurance to fund contributions paid in early life in order to provide for the increasing risks of later life, and to accumulate reserves against individual liabilities. The state with its power of compelling successive generations of citizens to become insured, and its power of taxation, is not under the necessity of accumulating reserves for actuarial risks, and has not in fact adopted this method in the past.

From my own study I am convinced that there must be a contingent reserve. One can never tell when low employment will reduce the income from the tax on wages, no matter what may be the rate. But I want to direct to your attention the difference, because some of my colleagues on the Ways and Means Committee made a comparison, between the voluntary insurance reserves of our great insurance companies and a contingent reserves under Federal old-age insurance.

There is this difference: When an insurance company writes an insurance contract it does but one thing. It promises to pay back the number of dollars mentioned in the insurance policy to the insured. It has no obligation whatsoever to the insured with reference to what kind of a dollar it does pay back—whether that dollar will buy 1 bushel of corn as it does today or will only buy 1 peck of corn 10 years hence. As long as it is a soundly run insurance company it meets its obligation by returning legal dollars.

When we enter into a contributory insurance system, such as set up under social security, we have a double obligation to the beneficiaries. Under the present law they, like the insured under an ordinary insurance policy, will receive a number of dollars of benefits, but we must go further, we the Congress, and we must see that those dollars are either kept stable so that they will at all times buy the same quantity of goods or we must be prepared to change the benefit to compensate for any decline in the purchasing power of the dollar.

Hence I am not so sure that any reserve fund we may set up today would be adequate. I do know that over the years the actuarial accountants have made estimates up to the year 2000. Who can tell what will happen in the year 2000? Who can tell what will happen 10 years hence? It was only in 1939 that Members of this House and the other body considered and amended the act. We all know the difference in prices and the value of the dollar today as compared with 10 years ago when its gold content was changed. How do we know what will be the price level after this terrible war, with the rise in wages, the increased costs and so forth? Will the benefit payments remain the same. No. They will be changed and brought up to the level of future values.

So in speaking here today and in speaking in favor of this freezing of the tax at 1 percent for another year, I do not think it will in any way harm the system, nor do I think we are doing anything but upholding the best principles of social security. Even if the people covered are fully employed and capable of paying, it is unwise to take that extra 1 percent until we know a little bit more about what the level of values is going to be after the transition period back to peace.

From the arguments made here by various speakers, it is evident that the present reserve fund is adequate, many times adequate to pay any possible calls there may be for benefit payments. But when peace has come, and we may look forward to what is ahead of us, then we can set our tax rates and decide what should be the reserve fund for a forseeable period. I think then we will have a more honest and a sounder system of social security for old-age retirement and benefits.

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

Mr. KNUTSON. Mr. Chairman, I yield the gentleman an additional minute.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. DEWEY. I yield to the gentleman from Ohio.

Mr. VORYS of Ohio. Is this not an additional distinction between this sort of insurance and insurance by a private company, that a private insurance company is not permitted to invest in its own obligations? What is happening here is that the Government is investing in its own obligations, and therefore the reserve is illusory, because the only security behind the Government promise to pay is the solvency of the Government itself, wholly aside from the particular specific obligations that are placed in this so-called reserve.

Mr. DEWEY. I think the gentleman has made a very important point. Not only is what the gentleman has stated true as to the policy of the private company, but politics might enter into the use of Federal reserves. It has been known that there have been raids on swollen Federal funds, and that may occur again.

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

Mr. DEWEY. I yield to the gentleman from New York.

Mr. LYNCH. What higher security could there be than the bonds of the Government of the United States?

Mr. DEWEY. None whatsoever; the gentleman is perfectly correct. Yet the dollars represented by those bonds are subject to the will of political bodies, and this is a political Government. Further, those who set up the reserves might decide possibly to use what they may consider excessive reserves for other purposes.

Mr. LYNCH. Despite all politics, has there ever been any default on United States Government bonds?

Mr. DEWEY. There has never been a default on United States bonds and I hope and pray that there never will be.

Mr. VORYS of Ohio. Is not the promise of the United States Government to pay a legal and binding contract just as valuable as a Government bond?

Mr. DEWEY. Of course it is. The Government bond, or the contract made. But it might be that if we should build up reserves running, as has been mentioned in the testimony, as high as $50,000,000,000, now deemed necessary to meet beneficial payments 75 years hence,

in stringent times the Congress might find it expedient to use some of those funds for emergency purposes, expecting to replace them later on.

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

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 10 minutes to the gentleman from Georgia [Mr. CAMP].

Mr. CAMP. Mr. Chairman, I deeply regret that I find myself at variance with a majority of the able gentlemen on the Ways and Means Committee and that I cannot concur in their recommendation that this bill pass.

I, like most of us, have had a very large number of telegrams, letters, and telephone calls from my constituency urging me to vote to freeze the present rate of 1 percent on the employer and 1 percent on the employee as the premium to be collected for the old-age and survivors insurance as provided under the Social Security Act. I have talked to many owners of small businesses, retail merchants, automobile garages, and other businesses that employ a small number of men, and I realize that the amount collected from them is a burden on them especially at this time when taxes of every kind are at such a high rate. Then, too, these smaller businessmen are not embraced within the provisions of this act, and that upon reaching the age of 65 they will not draw any annuity as their employees will although they probably will need it as much or more. I wish that the present premium rate of 2 percent was sufficient to pay for the annuities guaranteed under the act, and no Member of this House would derive more genuine satisfaction from a vote to freeze this rate than I would. However, after giving this subject the most careful thought and study of which I am capable, I have reached the conclusion from the testimony of expert insurance actuaries and men experienced in the administration of this act that a premium of 2 percent will not cover the cost of the benefits guaranteed to these workers under the Social Security Act and that even a rate of 4 percent will be insufficient.

All of us who have had any experience with life insurance know that the cost of insurance can be figured and is figured mathematically correct by actuaries, who base their computations upon the American experience table which is worked out from the data obtained each decennium from our census. We all know that these accountants and actuaries have been so successful in figuring these costs that the American life-insurance companies are the marvel of the business world and are stronger than any other like companies in all the world. I believe that the cost of this old-age and survivors insurance should be borne by the employer and employee and that sufficient premiums should be collected as we go along to meet any and all payments guaranteed under the law to these beneficiaries. If sufficient premiums are not collected and the fund at some future date is not sufficient to meet the demands upon it by those legally entitled to receive annuities and payments, then, of course, under the amendment which was adopted the last time these rates were frozen, the General Treasury of the United States will have to augment the fund, as under the present law the Government is guaranteeing the integrity of this insurance fund. That would mean, my friends, that the general taxpayers, which will include you and me and all others who do not have any right to any benefits under the Social Security Act, would have to pay for a part of the cost of this vast insurance system. If we do not collect sufficient premiums to pay for this insurance as we go along, it means that when the peak load is reached, which has been estimated by the actuaries to be about the year 1966, our children and our grandchildren will then be taxed to make up the deficit.

Personally, I have reached the conclusion that we have already voted and passed on to our posterity sufficient public debt. They will do well to pay the taxes to take care of our disabled veterans of this tremendous and vast war in which we are engaged, and to pay that part of the war which we do not pay as we go along. I shudder to think of the load that we have already placed upon the shoulders of our coming generations, and regardless of the clamor that is being made at this time for the freezing of these insurance premiums, my conscience will not permit me to pass on to posterity any part of the cost of this vast insurance system.

In the beginning of these remarks I stated I have received a large number of telegrams, letters, and phone calls from my constituency asking that these premium rates be frozen at the present rate. During the recess I had many of these businessmen to personally talk to me on this subject. To each of them I asked this direct question: "Do you think the general taxpayers should pay anything into this fund?" Without exception every one of these businessmen answered, "No; I think the premium should be collected from the worker and his employer and if the present rate is insufficient to pay the cost of it, either the benefits should be lowered or the premium rates raised."

And that, my friends, is the position I am taking here today. If our people do not feel able to pay more than the 2 percent now being collected then we should amend the Social Security Act and cut down the benefits guaranteed under the old-age and survivors' insurance section of it. If we are not willing to collect adequate premium rates we should by all means do this. On the other hand, if we do not desire to cut down the benefits then, as I see it, we are all conscience-bound to collect adequate premium rates and not pass this burden on to the General Treasury. In closing I want to give a concrete example, which I think illustrates my point better than any argument I can give.

We will take the case of a young man beginning work at the age of 20 and receiving a salary of $250 per month. At the present rate of 1 percent, he would pay into this fund $30 each year and his employer would pay a like amount, making a total of $60 per year. If he continued in employment without diminution of wages and without interruption in work until he is 65 years of age, which age under the law is the retirement age, there will have been paid into this fund by this young man and his employer the sum of $2,700. To this sum would be added the interest the Government pays on the securities owned by the Old Age and Survivors' Insurance fund and invested by it in Government bonds and debentures. The present rate of interest is 2.18 percent, and this $2,700 compounded at that rate would yield in the 45 years approximately $2,600. So at the present premium rate, the fund will have to the credit of this man when he reaches retirement age the sum of $5,300. Now, under the present law, this man would be entitled to receive, if he is single at 65 years of age, the sum of $58 per month or $696 yearly. When he reaches the age of 65 if he is married and has a wife 65 years of age, he would draw 50 percent more, or $87 per month or $1,044 per year. According to the American mortality experience table, this man at age 65 would have a life expectancy of 12.08 years to live. If he lived his expectancy, he would be entitled to draw from the fund, if single, $8,407.68 whereas the amount of money to his credit is only $5,300. If he is a married man and lives his expectancy, he would be entitled to draw from the fund $12,611.52, whereas the fund only contains $5,300 to his credit. In other words, according to actuaries' figures and the American mortality experience table, the present fund is just about 50 percent sufficient to carry this load. I have used for this example the minimum case. The amount of benefits paid to men who draw less than $250 per month is figured on a more liberal basis and in any other illustration you might use, the result will be a more flagrant deficiency because benefits paid to smaller wage earners are at a higher proportion.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SIMPSON of Pennsylvania. I yield 2 additional minutes to the gentleman.

Mr. CAMP. In conclusion, Mr. Chairman, I wish to state that knowing these facts from the testimony of some of the best experienced life-insurance actuaries in America and from the testimony of those in charge of the fund, I do not feel I can conscientiously vote to cut this rate, thereby placing a burden upon the future taxpayers of this country. It is true that this fund is not insolvent at the present time. There are many valid reasons for that as the peak of the load has not been reached and there are thousands upon thousands of men 65 and over who are working in war plants and not drawing their annuities. But when this present level of employment is over, you may rest assured all of them will file their claims and draw upon this fund.

I cannot vote to place a tax load upon the future taxpayers of this country, which should be collected as we go along.

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. LYNCH].

Mr. LYNCH. Mr. Chairman, I regret very much that I must disagree with a

majority of the committee, but I am opposed to freezing for another year, the social-security tax of 1 percent on the employer and the employee. It is not sound legislation. To my mind it tends to weaken the whole structure of the social-security insurance system. Certainly it is not sound business. When the reserves of an insurance company are impaired, a prudent executive will raise the rates. We know that if the present rate on employee and employer is maintained, the reserves of the social-security fund will be impaired within 9 or 10 years. Although under the original law the tax was to be stepped up from 1 percent in 1937, 1938, and 1939 to 1½ percent in 1940, 1941, and 1942, and 2 percent in 1943, 1944, and 1945, it has since been frozen at 1 percent since 1939, even though it has been definitely known that the benefits provided by law cannot be met by the 1-percent tax.

The best authority in the country maintains that the benefits cannot be maintained at less than 6 percent, and all authorities agree on a minimum of 4 percent. When payments to beneficiaries exceed income, then the meager payments made now, will either be further reduced, or the Congress must make up the deficit by appropriation. That will be the end of the social security as a matter of right, and the beginning of a dole.

The national income today is the greatest in the history of the country and out of that income, industry and employees should now make adequate provision for the old age of employees, and not put that burden on the 11,000,000 men and women who today are in the armed forces of the United States, but who will be the taxpayers 10 years hence. That is exactly what we will be doing—we will be putting the burden that should be carried today by industry and employees upon those who will be the taxpayers 10 years hence, if we maintain this rate of 1 percent.

It has been stated that we should study this matter further; that we do not know the real facts about the case. If we do not know the real facts about the case, why in heaven's name do we try to change the law? Keep the law as it is until you are certain that it is wrong. Do not change it simply for the sake of changing. Do not change it because a year or 2 years ago some other Congress changed the law without further study. We know definitely, as I said before, that every single authority has stated that these insurance benefits cannot be maintained at less than 4 percent unless the Government makes an appropriation to make up the deficit.

This theory of social security has been based upon an annuity as a matter of right, not by the needs test. Yet as soon as we get into a position where the Government must make an appropriation to make up the deficit, you can rest assured that the needs test will be put into effect, because certainly a poor man is not going to pay a tax, if he can help it, in order that a man more wealthy than he may get some benefits from the social security.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. KNUTSON. Mr. Chairman, would the gentleman like a little more time?

Mr. LYNCH. One minute would be enough.

Mr. KNUTSON. Mr. Chairman, I yield 2 minutes to the gentleman from New York.

Mr. LYNCH. I thank the gentleman from Minnesota.

Mr. Chairman, when this social-security program was put into effect it was determined that if they could raise the rate of insurance premiums first from 1 percent to 1½ percent after 3 years, and so on, until 1948, when the rate was supposed to be 3 percent upon employee and employer, the fund would be self-sustaining; that with the income that would be derived from taxes and the interest on the reserves there would be adequate funds to pay the benefits that were promised. Those benefits were promised by the United States Government as a matter of law and it was intended that those who were to receive those benefits should receive them because they had paid into the fund sufficient to obtain an annuity for the years that were to come. It was never intended that they should be the recipients of a dole, and I doubt very much whether the American people want a dole. I believe they are firmly sold on the idea that they want a self-sustaining social-security fund that will pay back to them in their old age an annuity based upon the amount they themselves have contributed or which has been contributed in their behalf.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Chairman, I think the debate here this afternoon and the hearings before our committee should convince any and every Member of this House that this matter needs further study. Very able arguments have been presented by both the proponents and the opponents of this particular bill. I for one—and I believe I can speak for every Member here—want a sound social-security program; but there are some things I believe that should be studied.

I have been a little amazed today to notice that everyone who seems to speak for increasing the rate say they are doing it to benefit the laboring people. I wonder about that. I was interested to note that not a representative of the C. I. O. appeared before our committee, not a representative of the A. F. of L., not a representative of the United Mine Workers appeared before our committee and asked that this bill be defeated or that the freeze be not granted. Only one representative of labor appeared, a representative of the Brotherhood of Railroad Trainmen, and their organization is not covered under this program; they have their own, the one set up by the Railroad Retirement Act. I wish to call the attention of these folks who are always coming to the defense of labor to the fact that the situation this year is different than it was in 1935 and 1939. When these rates were adopted in 1939, for instance, I think I can safely say that not a single one of these folks who are paying social-security taxes today paid a Federal income tax. How can I say that? In 1940 only 3,000,000 people paid personal income taxes in the United States, and today there are 50,000,000 personal income-tax payers, and the lowest rate they pay, each and every one of them, is 23 percent. Yet you want to double the social-security tax on them. I hope the Members will think about that a little. Let us take the employee who makes $1,680 a year, $140 a month. How much tax is he paying to the Federal Government today? He is paying $337.90. I contend that is a real tax burden. He is paying $16.80 social-security tax, yet you today want to make it $33.60. We seem to speak here today as though we were going to double the tax with scarcely any burden on the employee or the employer. Coming from my district I certainly should be the last one to oppose it, but I believe in all fairness to the working people of this country somebody ought to take the floor here this afternoon and talk about the burden these people are carrying.

It may be that some of you folks think a withholding of $330 on an individual with an income of $1,680 is not much of a tax. It may be that the doubling of this tax does not amount to much. But I contend these folks are having a very difficult time, especially the millions of white-collar workers of this Nation, and I am not going to let this go through without speaking a word for them.

I was interested to learn since I came on the floor this afternoon, and this will appear in tomorrow's RECORD, that an employer in Iowa, with a small factory, presented two petitions to his employees. He put it where they could sign it when they went in and came out of the factory. He asked them to sign whether they favored an increase in the social-security tax or they favored freezing the rates. An analysis of this expression of opinion will be in the RECORD tomorrow. Look it over and see how many of these workers want to increase the tax. We ought to think a little about this.

Then there is another angle. I want to discuss it from the farm standpoint, because I represent a farming district. It was stated by Dr. Altmeyer that 20,000,000 people are paying into this fund every day and that 12,000,000 of them are people who left the farms and went into war work. Millions of them are going back to the farms after the war. They are going back to uncovered employment and they are not going to get 1 cent benefit unless they later get back into covered employment. Now, you gentlemen want to double the tax on these people.

The hearings on the pending bill and the debate in the House this afternoon emphasize the confused thinking that is prevalent over the various aspects of social security.

The country needs a clarification of the various ideas presented by pro-

ponents and the opponents of the pending legislation.

I heartily approve the action of the Ways and Means Committee, which assures Congress and the country a thorough analysis and report early next year. Nine years of experience with social security should develop trends that require study. We should reexamine our entire social-security program. It should now be possible to secure information on:

First. The cost of social security.

Second. The true significance of the reserve fund.

Third. The distinction between insurance and the relief of need.

It is my contention that the present social-security program is so unfair to millions of our people that it cannot honestly be called national in scope. Yet millions of people must pay directly and indirectly for a social security which is limited in coverage.

Years ago the battle cry was, "No taxation without representation." The modern version might well be, "Taxation without benefits."

In addition to this group, we have millions who contribute indirectly to the fund through increased cost of commodities they purchase. These people cannot benefit from the program we are considering today. Shall we double the tax on them?

We need to analyze the social-security program from the standpoint of accrued liability. All actuaries which have appeared before our committee seem agreed that at some point in the future the benefits will exceed the income. There is no unanimity as to when this will occur.

In 1939, when Congress changed the basic policy of individual concept to group or family concept, it practically destroyed the original program. Few people realized what happened at the time, and many do not understand the change as yet. It is for this further reason that I believe we must make a thorough study.

The freezing of the present rate for another year will in no way affect social-security payments to those who are receiving benefits under title 1, or the old-age assistance section. These payments are made through grants-in-aid by the Federal Government in cooperation with the States. At the present time this amounts to about $700,000,000 annually.

The freezing of the rates under the pending bill will in no way change the payments or benefits under title 1 or the old-age and survivors insurance section. This fund has a reserve of about $6,000,000,000, and in 1944 increased one and one-quarter billion dollars at the 1-percent rate.

When Congress overhauled the Social Security Act, and adopted a revised financial plan, it was estimated the reserve, with a 2-percent rate for 1943 and 1944, the fund would be $3,122,000,000. It has now reached $6,000,000,000 at the 1-percent rate.

The war and unexpended revenues, plus a conservative estimate in the first place, were responsible for this. In fact if Congress collected no social-security taxes for the years 1945, 1946, 1947, and 1948, and if benefits should be paid equal to the highest current estimates of the board of trustees, the fund would be as large as originally planned in 1948.

No one, of course, would suggest repeal or suspension of the tax. Regardless of this favorable picture of the reserve fund we must keep in mind accruing liability.

The additional tax burden would be severe on thousands of small employers. These small businessmen have been fighting to keep their doors open against great odds. The addition of another 1-percent tax on their pay rolls might easily be the factor which would close their doors. This increase would, in a number of instances, require changes in our price structure that could become general over the entire economy. It is a poor time to vote this increase.

The CHAIRMAN. The time of the gentleman has expired.

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I yield 5 minutes to the gentleman from Kentucky [Mr. ROBSION].

Mr. ROBSION of Kentucky. Mr. Chairman, the Social Security Act, passed by Congress in 1935, in favor of which I spoke and voted, provides that beginning January 1, 1945, the employers and their employees shall pay a tax of 4 percent, 2 percent each for the employer and 2 percent for the employees, to maintain the Federal insurance for the employees as provided in said act. The present tax, collected from the employers and employees, is 2 percent, 1 percent paid by the employer and the other 1 percent by the employees.

H. R. 5564, before us for consideration, does one thing, and one thing only, and that is it amends the Social Security Act and freezes and continues the present tax at 2 percent for the fiscal year 1945. This bill does not increase or decrease any of the benefits provided for the employees as set forth in the Social Security Act. This bill does not amend the Social Security Act in any particular, except, and only, that it continues the present tax rate at 2 percent, one-half to be borne by the employers and one-half by the employees, as provided in said act. The one, and only, important question to be determined is, Will this 2 percent-tax be sufficient to provide a reserve that will fully protect the employees under said Social Security Act. There is no good reason why the tax should be increased from 2 to 4 percent at his time. This increase would double the tax. It would mean a hundred percent increase. The Ways and Means Committee that initiated this legislation in 1935 and has had charge of it ever since decided that this increase was not necessary, and by a vote of 17 to 7 favorably reported this bill to hold the tax at its present level, 2 percent, for the year of 1945. Not only an overwhelming majority of the committee voted in favor of this bill but a majority of the Democrats, including the able chairman and all of the Republicans, voted favorably. Knowing the chairman and the 16 other members of the committee who voted with him and their interest in social-security legislation, I am led to believe that there is no good reason why we should double this tax on the workers as well as the employers for 1945. The committee, in its report, is fortified by the facts. Of course, some of those connected with the administration urged this increase from 2 percent to 4 percent. Now let us examine the facts. What is necessary to make this trust fund solvent? The Secretary of the Treasury of the United States is a very important member of the trust-fund committee. He testified before the Ways and Means Committee in 1939 as follows:

> Specifically, I would suggest to Congress that it plan the financing of the old-age insurance system with a view to maintaining for use in contingencies and an eventual reserve amounting to not more than three times the highest prospective annual benefit in the ensuing 5 years.

The present 2-percent tax brought to this trust fund in 1944 approximately $1,350,000,000. All benefits paid out of this trust fund to the beneficiaries under this Social Security Act in 1944 amounted to less than $200,000,000. In other words, the present 2-percent tax in 1944 brought in over six and one-half times as much money as was necessary to pay out to the beneficiaries under this act in 1944.

The tax rates that have prevailed under this act since 1935, there will have been accumulated in this trust fund by the end of 1944, $6,000,000,000, and Dr. Altmeyer, Chairman of the Social Security Board, stated that the 2-percent rate would be adequate to meet all contingencies for the next 9 or 10 years, and if we increase the rate to 4 percent, one-half to the employer and one-half to the worker, it would provide a fund that would take care of all contingencies for the next 20 years. You observe that Mr. Morgenthau, Secretary of the Treasury, stated that there should be a reserve, that this reserve fund should amount to not more than three times the highest prospective annual benefits in the ensuing 5 years. The amount of the annual benefits for the year 1944 are less than $200,000,000 and the present reserve, therefore, is 30 times the amount of the annual benefits for 1944. Some persons contend that during the next 5 years, the benefits to the workers arising under this act may reach as much as four hundred fifty million, while the extreme figure is seven hundred million. If we adopt the $450,000,000 annual benefit as the yardstick, then the present reserve would be 12 times the annual benefits. If we adopt the $700,000,000 as the extreme yardstick, the present reserve of $6,000,000,000 would be more than 8 times the annual benefits, while the Secretary of the United States Treasury stated the reserve should not amount to more than 3 times the highest prospective annual benefits in any one of the ensuing 5 years. With these facts staring the Ways and Means Committee in the faces, it is no surprise that a majority of the Democrats and the chairman and all the Republicans voted to report favorably this bill and with these facts, I do not see how I can consistently vote to put this additional tax burden on the workers and upon the employers of the country. I strongly favored this legislation, spoke for it, and voted for it, and I want to see such a reserve fund

provided and maintained that will fully protect the workers.

The amendment to the Social Security Act of 1939 provides that if the trustees of this reserve or trust fund should find that the fund was inadequate they should so advise the Congress. They have not said to the Congress that the reserve fund is not sufficient or that the 2-percent tax for employers and workers is not sufficient.

I have received many letters from workers and employers residing in my district urging me to support this bill. I have not received a single letter, telegram, or other expression of opposition, to this bill from anyone residing in my district. Most of them understand that this bill does not affect, in any way, the present so-called old-age pension where the Federal Government without contribution from the beneficiaries or States, puts up one-half and the States the other half of the pension paid to the needy aged, the needy blind, and the needy widows and children.

WHAT BECOMES OF THE TAXES PAID INTO THIS FUND?

All the taxes that have been paid in and that will in the future be paid in are intended to create and maintain a reserve or trust fund to be paid out to the beneficiaries as their claims to part of this trust fund accrue. All of the taxes that have been paid by the workers and the employers into this trust fund up to this time and including the $6,000,000,000 of reserve have been from day to day transferred to the general fund in the Treasury and in the place of the tax money there is placed the I O U of the Federal Government, and the money paid out of these funds has not been limited to the beneficiaries, but it is expended by the administration for almost every and any activities of the Federal Government. This social-security tax money may be spent, and part of it, no doubt, has been expended for a lot of the boondoggling projects of the Government, and other parts of it have been squandered and wasted. It is handled the same as other tax money paid into the Treasury.

It is no secret that the administration desires through these taxes to build up a so-called reserve or trust fund amounting to approximately $50,000,000,000, and, of course, the administration will, in the future as in the past, in my opinion, place this money in the general fund and spend the money as it comes in, and there will be nothing in its place except the I O U and bonds of the Federal Government. This is where the Government takes the tax money of the workers and the employers and turns over to itself and gives I O U's and bonds. When we realize the great desire of this administration to tax, squander, and spend, it is easy to understand why they complain, because this so-called trust fund is only $6,000,000,000. These taxes roll in day by day, and it affords the administration an easy way to get billions of dollars without going out and publicly borrowing the money and selling the bonds.

This surplus reserve fund is already 8 to 12 times as much as the estimated outlay for benefits to the workers for any 1 year for the next 5 years, when Secretary Morgenthau stated that this reserve should not amount to more than 3 times the highest prospective annual benefits in any one of the ensuing years. The Social Security Board and the administration now urge that this tax must be increased. We cannot give too much weight to their prediction. They told the Congress some years ago that under the tax as provided in the act we would have a reserve or trust fund of $3,000,000,000 at the end of 1944, when, as a matter of fact, we have $6,000,000,000 in this reserve or trust fund. They also predicted that in 1944 we would be paying out approximately $667,000,000, when as a matter of fact in this year of 1944 we will pay out in benefits less than $200,000,000. This Board was 100 percent wrong in estimating the reserve or trust fund that would be on hand in 1944 and 267 percent wrong in estimating the amount of benefits that would be paid out in 1944.

There is quite a difference of opinion on a number of these important matters. We are told by the Ways and Means Committee that by unanimous vote they agreed at an early date in the Seventy-ninth Congress to launch a thorough and searching investigation of this whole subject. Some persons talk as if today is the last day that this or any Congress will ever meet. The people have already elected the Seventy-ninth Congress and will elect other Congresses. We have amended the Social Security Act heretofore and as the years come and go it will likely be amended in other respects that will be necessary and helpful. I have no doubt but what the Congress will watch this reserve or trust fund carefully so that so far as it is practicable under the present administration the rights of the beneficiaries under this legislation will be fully protected. I have no doubt but what it is protected today so far as the amount of money that has been paid in and no harm can come to this reserve fund during this investigation in 1945. If this reserve fund is weakened, it will be due to the improvident spending and wasting of the present administration.

It is generally admitted that our national debt will be three hundred billion or more at the end of the war. Only a few years ago the number of income taxpayers was less than 3,000,000. Today they number 50,000,000 or more. With the 20 percent withholding tax and the many concealed Federal taxes the workers of the Nation as well as the employers are carrying a heavy load. This load should not be increased unless it is clearly necessary. Firmly believing that it is unnecessary to increase this tax 100 percent to the workers as well as to the employers, I feel constrained to cast my vote in favor of the bill to hold the tax as it is for the year of 1945. If this thorough and searching investigation should disclose the necessity for an increase in this tax in order to preserve the rights and benefits of workers under this legislation, I shall be very glad to support such increase as may be necessary.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. EBERHARTER].

Mr. EBERHARTER. Mr. Chairman, to me, the main issue is whether or not we want to continue the policy that was decided upon in 1935 and again in 1939 when we established this Social Security System based on a contributory basis; in other words, it is not this afternoon merely a question of fixing the rate of taxation for the year 1945 on both the employer and the employee, it is a question of whether we want to get away from the policy of operating the Social Security System on a full reserve basis and not on a contingent reserve basis, or on a basis of annual subsidy out of general taxation.

I call your attention to the fact that we have in operation now four or five insurance systems by the Government. We have a national insurance system for veterans of World War No. 2. We have a Government life-insurance system for veterans of World War No. 1. We have a civil-service retirement fund, we have the Foreign Service life-insurance fund, and several others. In all of those funds we are operating on the basis of a full and adequate reserve, and that is the policy this Congress decided on in 1935 and 1939 with respect to the Social Security System. If we today do as we did last year, we are going to be getting away from the adequate-reserve, full-reserve principle.

They say that the reserve now is sufficient. There has not been a single bit of testimony before this committee by any actuary and there has not been a single actuary who has either publicly or privately stated that a tax of 1 percent is sufficient to carry the annual cost. We must remember that we have been working under abnormal conditions in this country since 1940. Naturally the reserve will be somewhat larger than we contemplated it would be 3 or 4 years ago. But when the actual cash reserve is greater at this time, it also means that we have increased our liability by just so much, because millions of persons have become entitled to receive benefits; in other words, the Government promises these people that when it taxes them they will receive certain benefits in the future.

It is well known by everybody familiar with insurance that the initial costs of any system are low and that the ultimate costs are quite high. We are only in the initial stages of the operation of this Social Security System. It has been said that the ultimate cost may run as high as fifteen or twenty times what the early costs are. Every actuary who submitted any figures whatever did not deny the fact that it would at least take a 4-percent tax. We already know that much, anyhow.

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

Mr. EBERHARTER. I yield to the gentleman from Wisconsin.

Mr. KEEFE. Is the gentleman satisfied that the present rate of annuity payments and benefit payments under title II is sufficient?

Mr. EBERHARTER. I certainly am not satisfied that it is sufficient. The

contingent reserve may be sufficient for 6, 7, 8, or even 10 years, but it certainly is not sufficient for the future, when the cost will be high. As it was testified, the cost will ultimately be perhaps 15 or 20 times as much.

Mr. KEEFE. The gentleman did not get my question. My question is, Is the gentleman satisfied that the annuity payments provided under the social-security law today and the survivors' and benefit payments provided under the law are ample and sufficient, or is the gentleman of the opinion that the Congress will be called upon within a short time to raise the amount of these benefits?

Mr. EBERHARTER. It may be possible that we will be asked to, but we are basing our figures and our decision today on the benefits that are already promised under the present law and not taking into consideration the extension or broadening of the benefits.

There is no time better than the present to create an adequate reserve. I submit it would not be a hardship on either the employer, nor on the employee. Just remember that the employer is allowed to deduct as a business expense whatever amount he pays to the Government in pay-roll taxes to the Social Security Board. Furthermore, it is estimated that the value of this insurance to an employee is on the average from $3,000 to $10,000, and for some families, valued at $15,000. This is the time to strengthen the social-security system instead of weakening it, and I submit in conclusion, Mr. Chairman, that those who believe in a strong social-security system operated on a sound basis will vote against this bill.

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

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. SIMPSON].

Mr. SIMPSON of Pennsylvania. Mr. Chairman, I think that anyone who thinks about social security and the question of the reserve must recognize that we are worrying about a situation which may arise some 40 or 50 years from now, in 1990 or the year 2000. It is probable that it will approach that date before, on the basis of the present tax payment and the tax payment we all agree must be made by way of increases, following the examination into the matter by the Committee on Ways and Means, there will be occasion to worry about the reserve. We forget, however, that between this year and that distant year many Congresses will change this law, year after year, increasing the benefits and coverage, for as pointed out but a moment ago, it is undoubted that the payments being received by many today are far less than necessary to properly maintain one's livelihood. So, I think as we are in the war, and as we face the reconversion period in this country, we can, with entire safety, consider the facts as we find them today and determine on the situation today—whether we cannot with safety delay this increase next year. It is unquestioned but that there are ample funds in current collections at 1 percent to meet all liabilities which will arise during the coming 9 years. I am struck also by the fact that imposition of this additional tax in January will bear most heavily upon the people of our country whose wages are frozen at their present rate of income. Their income is frozen today by the laws and regulations of the Government which prohibit increases in their pay. I refer to the white collar worker, the man who is today, beyond all others, pinched between the rising cost of living and the limitation which has been placed upon his chances for any pay increases whatever. Though his employer wants to increase his pay, he dare not do so. It is the man who is today living at just about the margin between income and outgo who cannot afford to pay the additional 1 percent. The proposed increase to him is not a trivial one—it is a serious matter. I think that until the period of reconversion is over we should delay this increase on this tax.

Then I am thinking too, of the returning soldier, the man who upon his return to this country, will, I believe, solve the question of reemployment of his comrades of today. As we think of reemployment in the post-war years, of the returning soldier, we all too often forget that there are some millions who will become the employers of that day. The man who returns from the Army and becomes an employer by opening a small store or gasoline station, who hires one or two of his comrades, will in my opinion, take up a large part of those who would otherwise be unemployed. But when that returning soldier considers the question of whether he shall become an employer in that future day, he is all too apt to consider the tax burden which would be placed upon him as an employer as being too great, and he might take the course of least resistance and simply not provide the jobs for his comrades.

So I think that inasmuch as the reserve fund is today ample to take care of any possible contingency which may arise within the coming 10 years, without any increase in tax, we would be foolish, in this day, to impose a further burden upon the small businessman, the employer of today.

Five hundred thousand small businesses have closed their doors in recent years. They could not make ends meet or Government regulations forced them to shut down. Will they reopen after the war, or is their place to be taken permanently in our economic system by the large employer?

Only as we lessen the burden of fixed charges on the small businessman can we insure his success in the competitive business world, and only as he succeeds can there be reemployment of all returned soldiers.

Until there is proof of the need for increased social-security tax collections to meet the fund's obligations we only hinder and delay peacetime employment by the collection of unnecessary taxes.

We must not forget that this tax is an "income tax." It comes from the income of every covered worker, and is taken from him entirely without regard to his ability to pay. It violates this basic principle of income tax legislation. There are no exemptions, no deductions. The tax is taken out of your income, no matter how small your earnings or how great your family's needs are.

Certainly we cannot justify an increase in this tax at this time, when only one-fifth of this year's collections are required to pay this year's liabilities.

I think, Mr. Chairman, we will do far better to freeze the tax at the present rate of 1 percent on the employer and 1 percent on the employee, and to await the results of the investigation promised by the House Ways and Means Committee.

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

Mr. SIMPSON of Pennsylvania. I yield.

Mr. CANFIELD. The New York Times editorializes on this subject today, and closes with this summation:

> The case against increasing the social-security tax at this time is a strong one.

Mr. SIMPSON of Pennsylvania. I thank the gentleman.

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

Mr. DOUGHTON of North Carolina. Mr. Chairman, I yield the remainder of my time to the gentleman from Oklahoma [Mr. DISNEY].

Mr. KNUTSON. Mr. Chairman, I yield the gentleman from Oklahoma the remainder of my time.

The CHAIRMAN. The gentleman from Oklahoma is recognized for 21 minutes.

Mr. DISNEY. Mr. Chairman, I shall not use very much of this time. I doubt the wisdom or propriety of intruding on the House any more figures than have been adduced. However, there are some to which attention should be called.

At the outset, when we cast our votes on this subject we must remember that this bill poses simply a question of revision of the rates. It does not affect the benefits of any man or woman within the Social Security System.

It seems to me we have been doing some blind financing by fixing the rates without first determining the size of the fund required for the reserve, if there should be a reserve. It seems to me that the Ways and Means Committee in this ensuing study, to which I am sorry in one way I will not be a party, should first find out by the best information available to it, how large a fund is necessary to maintain this system, if it first decides that a big reserve is necessary. There is a difference of opinion on that subject. Some schools of thought hold to the idea that a reserve is not necessary. The general thought is that a reserve is necessary, but it seems to me it would be wise first to decide how much the fund should be, and then levy the tax rates to conform to raising that fund, instead of blindly applying the rates and letting the fund accumulate in skyrocketing proportions.

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

Mr. DISNEY. I yield.

Mr. DINGELL. Why did not the Committee on Ways and Means heed my modest warning time and again to go into the question of social security to determine what are the needs, instead of now attempting to slash, and investigate it after you create a freeze?

Mr. DISNEY. The gentleman has as much information on that subject as I have, being a member of the Ways and Means Committee also, so I doubt if an answer is necessary.

Mr. DINGELL. I wondered if he might know, being on the opposite side of the argument, why that occurred.

Mr. DISNEY. The sources of information are equal to us.

Mr. DINGELL. That does not answer the question.

Mr. DISNEY. Now, to deal with some of these figures for a little while. Dr. Harley Lutz, of Princeton, a well-known and respected authority, at the instance of the Tax Foundation estimates that in 1945 we will have 2,498,000 people in the System, with receipts of $2,306,000,000 per year and expenditures of $268,000,000. Then he calculates that in 1960 there will be 6,500,000 people in the System, with annual receipts of $3,600,000,000 and expenditures of only $1,716,000,000. If those figures are correct, and they come from a reliable source, is there any reason to raise these rates until a complete study is made? He calculates that in 1980 we shall have 11,900,000 people in the System with receipts of $4,077,000,000 per year and expenditures of $3,435,000,000 a year. And yet a responsible Member of this House today made the statement that the fund now has a deficit of four and one-half billions. Why, if everybody in the Social-Security System should die today, there would, of course, be a deficit. Likewise if every insured person in a private insurance company died the insurance company would be in a bad fix; but why creat that mare's-nest when we know nothing of that kind is going to happen? So those assertions are not argument, but speculation.

This statement is made in the Lutz report that struck me as very seriously material. Dr. Lutz says:

> If the terms of the present law relative to tax rates and benefits operate without change, workers and employers will pay in taxes $37,836,000,000 more by 1980 than the beneficiaries receive after meeting the administrative costs.

Do you want so enormous a fund? Now, I have quoted from an authority someone might designate is a private authority. Let me tell you what Mr. Altmeyer said on this subject. Here it is, from the hearings:

> Mr. DISNEY. Can you give us some idea what the demands on the fund will be during that period of time?
>
> Mr. ALTMEYER. Well——
>
> Mr. DISNEY. You do not mean $35,000,000,000 net; you mean the collections.
>
> Mr. ALTMEYER. I mean the reserve probably would be that much, that is $35,000,000,000.
>
> Mr. DISNEY. When?
>
> Mr. ALTMEYER. At the end of 20 years if the Congress never did cut this law as to rates of benefits.

So, if you leave it as it is, do not freeze this at 1 percent but let it rise to 2 percent in 1945, to 2½ percent in 1946, 1947, and 1948, then to 3 percent in 1949, and not raise the benefits, at the end of 20 years according to Dr. Altmeyer there would be a net of $35,000,000,000 in the fund. Dr. Lutz says it amounts to thirty-seven to thirty-nine billions. Do you want that large a fund? The advocates of a fund of that size have one definite objective in mind, the raising of the benefits. Do not deceive yourselves on that subject; that is the objective, the raising of the benefits. That is for future Congresses to determine. It may be right, it may be wrong; it may be practical or it may be impractical when the time comes. We could safely say today that if the Ways and Means Committee did not in good faith intend to pursue a study of this subject, we could go blindly ahead and let the rates become accelerated. But the history of that committee does not justify such assumption. The only landmark we have now is that Secretary Morgenthau said the fund ought to be three times an average 5-year-cost of benefits. That is the only landmark we have now, and it is time to take stock of how things stand at present and what to expect in the future. So the study by the committee is the answer.

Gentlemen who had apparently never read the Social Security Act have made the assertion that all the new war workers who had come into the system and paid in benefits, paid in taxes for say a year or a year and a half, that all down through eternity they and their posterity would be entitled to that money back with interest. Not so. To be permanently entitled to a share in the insurance under this system you have to work for 10 years; you must have a backlog of 40 quarters of covered employment. If you work 5 years in covered employment and then never return to the system, the taxes you paid into this fund are gone forever; you never get them back, nor do your survivors get them back.

Mr. KNUTSON. That is 65 years of age.

Mr. DISNEY. I have tried to be very careful about the statement I am now going to make. I shall read it. This I prepared after communication with the social-security organization and it seems to me this is definite and pertinent. There are millions of dollars in this fund that will remain there to the benefit of the other taxpayers coming from those who go back to the farm, back to housework, back to uncovered employment.

If the worker has been employed in covered employment for 40 quarters, he has a permanent insurance status. If the worker leaves covered employment for a period greater than he spent in covered employment he loses his insurance status unless he has worked for 40 quarters. Recurring to my statement, if he works for 5 years and drops out, all he put into the fund belongs to the fund and the other people in the fund. He is out and his heirs and survivors are, forever. However, if this worker returns to covered employment, and this is pretty well safeguarded, he regains his insurance status provided he works for a period equal to half the number of quarters previously spent in covered employment. In other words, the question whether an individual at any given time has an insurance status is a question of whether the time spent in covered employment equals or exceeds the time spent in uncovered employment.

If he works 40 quarters in a covered employment he has an insurance status for full benefits; however, if his employment is intermittent, even though he keeps his insurance status, his benefits are measurable by his actual covered employment. His average monthly earnings are the basis upon which his insurance benefits are computed and he has got to work at least half the time. He cannot come in once a year and work a quarter and still stay in the system. He has to devote at least half his time to covered employment. After the worker has acquired 40 quarters of covered employment, he has a permanent insured basis to the extent that he need not work further in covered employment, but still his benefits would accrue to him. If he reaches 65 years of age and desires to work in some other covered employment, he can work at that other employment provided it does not exceed his benefits. If his job pays him less than the benefits he is entitled to keep his job; also to draw the benefits. If he has a job that pays more than the benefits he is not entitled to have the benefits accrue to him.

Mr. FULBRIGHT. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Arkansas.

Mr. FULBRIGHT. Say that a man works 5 years, then dies; what happens to the money he pays in; does that accrue to him then?

Mr. DISNEY. To his heirs.

Mr. VOORHIS of California. Not if he dies at the end of the 5 years while he is still working on covered employment.

Mr. DISNEY. That is right.

Mr. AUGUST H. ANDRESEN. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. If a man is receiving this retirement annuity and earns over $14.99 in any 1 month, he loses his annuity status?

Mr. DISNEY. Stated in general terms, yes; that is correct.

Mr. VOORHIS of California. He loses it for that period, but he does not lose it permanently.

Mr. DISNEY. No. That is right.

Mr. JENKINS. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Ohio.

Mr. JENKINS. We are talking about these benefits. Is this not the fact: Under the present law in order for a man to get the full maximum of $85 a month, which is the maximum sum, he must commence when he is 21 years of age, he must earn at least $3,000 a year, he must work from when he is 20 years old

until he is 65 years old in order for him to get the full maximum of $85 a month?

Mr. DISNEY. Yes. That maximum is $85 a month whether you make this 1, 2, or 5 percent today, until you change the benefits. It remains in that situation until the law is changed. This does not affect the benefits.

Mr. KNUTSON. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Minnesota.

Mr. KNUTSON. As a matter of fact, whether we freeze it or permit it to advance will not make 1 dollar's worth of difference to those who are receiving benefits now?

Mr. DISNEY. No. So we have time to have this study made, and I have confidence in the integrity of the Committee on Ways and Means that it will make a thorough study of the subject, because this is the first time in recent years, since 1939, that it has been put squarely before the Committee on Ways and Means. The proviso attached to the tax bill last year made this practically mandatory upon the Committee on Ways and Means to look toward a revision of the Social Security Act.

One further suggestion, and then I close. As I understand, both party platforms in the very earnest and feverish quest for votes this year require that the Congress, as Representatives of the people, shall place farm help and domestic help in the covered status, and that probably socialized medicine will be included. In every law there is an arbitrary place where you have to stop. Many men at 17 years of age are as capable of voting as men at 45, but 21 has been the arbitrary status for suffrage, and so in many, many other laws arbitrary standards are set. In this we stopped at the origin of the Social Security System, at the threshold of farm help and domestic help. Think well before you fly into the patience of the agrarian element of this Nation by reaching into the pocketbook of the farmer and requiring him to support farm help in later years. Consider seriously the implications of an extension to domestic help. Go slow on socialized medicine. At some place you have to stop.

I see no good in a nation, in a nation already distraught with domestic difficulties, by choking tedious and burdensome things down upon the throats of the American people. The benefits do not justify it, and the trouble, and the difficulty, and the annoyance of providing Social Security to farm help and domestic servants are a Pandora's box of problems, not in the long run, conducive to the personal or political contentment of the people.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired. All time has expired.

The Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That (a) clauses (1), (2), (3), and (4) of section 1400 of the Federal Insurance Contributions Act (section 1400 of the Internal Revenu Code, relating to the rate of tax on employees) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, 1944, and 1945, the rate shall be 1 percent.

"(2) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent.

"(3) With respect to wages received after December 31, 1948, the rate shall be 3 percent."

(b) Clauses (1), (2), (3), and (4) of section 1410 of the Federal Insurance Contributions Act (section 1410 of the Internal Revenue Code, relating to the rate of tax on employers) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, 1944, and 1945, the rate shall be 1 percent.

"(2) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent.

"(3) With respect to wages paid after December 31, 1948, the rate shall be 3 percent."

Mr. VOORHIS of California. Mr. Chairman, I offer and amendment.

The Clerk read as follows:

Amendment offered by Mr. VOORHIS of California:

On page 1, line 8, after "1943", insert "and."

In line 9, strike out "and 1945."

After line 9 insert "With respect to wages received during the calendar year 1945, the rate shall be 2 percent."

On page 2, line 10, after "1943", insert "and."

In lines 10 and 11, strike out "and 1945."

After line 11, insert "With respect to wages paid during the calendar year 1945, the rate shall be 2 percent."

Mr. VOORHIS of California. Mr. Chairman, the effect of this amendment would virtually be the same as defeating the bill. What my amendment does is provide for a 2-percent rate of tax during the year 1945; in other words, my amendment simply would not let the freeze go into effect. My reason for offering the amendment is partially because it is the only way I know of to say some of the things I have been wanting very much to say here this afternoon.

I readily recognize the problem the Committee on Ways and Means has been up against, and I certainly do not begrudge any of the members of that committee the time they consumed, but I feel that this is a very crucial question.

In some of the debate I have listened to this afternoon it seems to me that what members of the Committee on Ways and Means have been doing has been criticizing the Social Security Act itself. I agree with some of those criticisms. I believe very earnestly, as the committee minority report points out with great vigor in the closing paragraph, that a study of the whole Social Security System should be made with a view to its improvement.

I do not personally believe that a person who works in covered employment for a short period of time should lose all the benefits that have been built up during that period of time, nor is it my understanding that under those circumstances a lump-sum payment is not made to that person or to his survivors. I may be mistaken about that, but it is my understanding that a lump-sum payment amounting to the amount paid in in taxes is paid to a person under those circumstances. Certainly that should be the case, and if it is not, the law should be amended.

Mr. CARLSON of Kansas. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I yield to the gentleman from Kansas.

Mr. CARLSON of Kansas. If the gentleman will check, he will find that that provision was in the 1935 act, but we changed it in the 1939 act. However, I do not believe the people of our country know what happened.

Mr. VOORHIS of California. I think it was wrong. I think they should be entitled to at least the amount of refund of taxes paid in. I hope that will be corrected.

In any case, those questions are not before us today. There is only one question before us today, and that is whether or not Congress is going to do the easy thing and freeze these taxes at 1 percent or whether it is going to do the courageous thing and let that tax increase to 2 percent at the most logical time in all the history of America to let the tax increase. The question I ask in the first instance in my speech today is, if this is not the time to permit that tax to increase, when will be the time? Will it be sometime later on when there is much less prosperity and less employment in the country than there is today? I do not think so. If there is ever a time to lay aside resources against a rainy day, it is when income is high, and that time is now.

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

Mr. VOORHIS of California. I yield to the gentleman from Oklahoma.

Mr. DISNEY. Why not raise it to 5 percent, then?

Mr. VOORHIS of California. It might be a little bit severe to do that all of a sudden.

Mr. DISNEY. Then how about 3 percent?

Mr. VOORHIS of California. I am asking for 2 percent, and I am going to stand on that amount. We have set up here a contributory system of insurance. You can argue the question as to whether you want a contributory system or whether you want a general pension system. I think there are arguments on both sides. But if we want a contributory system, we ought to stand by our guns and make provision for the accumulation of a reserve when we know that the obligations of the system are going to require it in the future.

The question before us today is whether we are going to let those taxes increase now and pay now the taxes to accumulate that reserve, or shift the burden into the future and require those taxes to be paid in the future when it may be far more difficult than now.

Mr. DOUGHTON of North Carolina. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I yield to the chairman, of course.

Mr. DOUGHTON of North Carolina. What would be the difference between voting for the gentleman's amendment and voting against the bill?

Mr. VOORHIS of California. Not a bit, I will say to the gentleman.

Mr. DOUGHTON of North Carolina. The gentleman just wanted to make a speech against the bill?

Mr. VOORHIS of California. That is all. Yes, sir; but I did not know any other way to do it. As the gentleman knows, there was hardly enough time for members of the committee.

I believe this system ought to be extended. I do not agree with the gentleman from Oklahoma. As I understand it, both political parties before the election pledged to the people of America that they were going to try to give social-security protection to the people not now covered. I think that ought to be done. I think exactly the same thing now as I did before the election.

Now then, the question is always raised as to what happens to this money? I ask this question: If John Jones buys a Government bond or buys a War bond today, are the gentlemen going to insist that a certain amount of cash be tagged with John Jones' name and deposited down here at the Treasury to wait until the time comes when John Jones' bond has to be redeemed? No; you are not. You are going to pledge the credit of the United States and make good on that bond when it becomes due. And the credit of the United States is going to be good then. It is exactly the same proposition with reference to the social-security obligations; exactly the same.

The CHAIRMAN. The time of the gentleman has expired.

Mr. VOORHIS of California. Mr. Chairman, I ask unanimous consent to proceed for 4 additional minutes.

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

There was no objection.

Mr. VOORHIS of California. Mr. Chairman, I am very much obliged to the Committee for this additional time. The credit of the United States is behind the obligations that are accumulating under Social Security and the bonds that are deposited to the credit of the old-age insurance trust fund are just as good as any bond this country issues. And that means they are good and are going to be paid. Now, it is argued that it makes no difference whether we have a reserve or not. Let us assume, if this bill is defeated, or if my amendment is adopted, that you would accumulate $4,000,000,000 of additional reserve. I do not know whether or not that figure is right. Just assume that it would be $4,000,000,000 in reserve, which you would not otherwise have. What would be the effect of that? It would mean when we paid interest on that $4,000,000,000 we would not only be paying interest on that portion of the debt but we would be, at the same time, supplying money to pay the old-age pension obligation we have under the act. Now, if we do not increase the reserve, what situation would we have? That would mean that we would have to borrow more money now from banks, insurance companies or any other place we could get it and then we will have to pay interest on that portion of the debt, and will also have to raise money by taxing the American people to get the money to discharge the obligations under the Social Security Act. If we do not accumulate the reserve we have to raise just exactly twice as much money in the future, to make good on all of the obligations as we would if we do accumulate the reserve right now. I do not know how many Members of the House are familiar with the distribution of the holding of the national debt at the present time, but I will give it to you very briefly. It is as follows:

Seventy-eight billion dollars of the national debt—only $78,000,000,000, is held by individuals or to nonfinancial corporations.

Sixty-two billion dollars of it belong to commercial banks.

Twenty-one billion dollars to Government agencies.

Twelve billion dollars to Federal Reserve banks.

Seventeen billion dollars to insurance companies.

Ten billion dollars to mutual savings banks.

In other words, only $78,000,000,000 out of $200,000,000,000 of that debt belongs to individuals or to nonfinancial corporations. If this bill is defeated and the social-security tax is allowed to be increased, what we will be doing will be simply shifting a portion of this national debt so that we would actually owe it to the people of this country, who will have retired from active employment in the future under the Social Security Act. Let us spread the holding of this tremendous debt to as many people as we can instead of concentrating the indebtedness in the hands of a few holders of the national debt in a way that is not a sound policy. And that is our choice here today. The question is whether we are going to raise the money now or whether we are going to increase the taxes later, so that we will have to levy a heavier tax than the benefits justify, or whether you are going to repudiate the obligation of the Government under the Social Security Act. I am sure you are not going to do the latter of the three possible courses that I have mentioned. Therefore, if this bill passes today, what it amounts to is that you are shifting a portion of that burden to make good the obligations which this Nation and the Congress have assumed under the Social Security Act, to some time in the future when it may be very much more difficult to raise money than it is today.

Mr. Chairman, I yield back the balance of my time.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Chairman, in view of the fact that the effect of my amendment would be exactly the same as the defeat of the bill, I ask unanimous consent to withdraw the amendment.

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

There was no objection.

Mr. KEEFE. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

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

There was no objection.

Mr. KEEFE. Mr. Chairman, the Social Security Act first became law on August 14, 1935. Substantial amendments were made by the act of August 10, 1939. The law in its entirety is known as chapter 7 of title 42 of the United States Code. The law consists of 11 titles or subchapters. It is well to understand this in view of the proposal now before the House in order that our thinking in relation to the current proposal may be accurate.

It will be observed that the Social Security Act makes provision for two separate and distinct sorts of benefits for the aged. Title I of the Social Security Act sets up a program of old-age assistance to provide for those already past 65 at the time of the effective date of the act and for those who could not establish a reserve account under title II that would permit the payment of a subsistence annuity. Under title I, the organization and management of the plan is left directly to the States, and the Federal contribution consists of grants of funds to match State funds up to $20 per month. The Federal contribution to these matching funds is secured from direct appropriations out of the Treasury of the United States. It should be borne in mind clearly that the aged people of this country who are receiving old-age assistance from the States under title I are in no way concerned with the proposal now pending before the Congress. Whether the pending legislation is passed or not, the assistance rendered to this class of our aged citizens will remain the same. No increase in the amount of monthly assistance given to them will accrue.

Under title II of the Social Security Act, provision is made for Federal old-age and survivors' insurance benefits. This system is managed entirely by the Federal Government. The schedule of benefits and annuities is specifically provided for in the law. The program contemplated that those workers covered by the act and their employers would be taxed to provide the funds out of which benefits would be paid upon retirement at age 65.

Title 8 contains the provisions with respect to these taxes upon employers and employees. It is interesting to note that section 1001 of title 42 is entitled "Income Tax on Employees." This law provides—

> In addition to other taxes there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of wages (as defined in section 1011 of this title) received by him after December 31, 1936, with respect to employment (as defined in section 1011 of this title) after such date.

The law further provides that with respect to employment during the calendar years 1937, 1938, and 1939 the rate shall be 1 percent. With respect to employment during the calendar years 1940, 1941, and 1942, the rate shall be 1½ percent. With respect to employment during the calendar years 1943, 1944, and 1945, the rate shall be 2 percent. With respect to employment during the calendar years 1946, 1947, and 1948, the rate shall be 2½ percent. With respect to employment after December 31, 1948, the rate shall be 3 percent.

Section 1004 of title 42 provides for the tax on employers and is entitled "Excise Tax on Employers." The progressive rate of tax provided in this section is the same. It will be noted that by previous acts of the Congress the rate of tax on employer and employee was frozen at 1 percent. It is clear, therefore, that unless the Congress passes the pending legislation and the President permits it to become law, the rate of tax on employers and employees will rise to 2 percent on January 1, 1945. It is proposed to freeze the rate for another year at the existing rate of 1 percent.

It should be observed that the term "wages" against which the tax is imposed means the remuneration for employment including the cash value of remuneration paid in any medium other than cash up to the sum of $3,000, received by an individual in any calendar year. Section 1011 of title 42 provides further for the exception of certain employees from the provisions of the act. These are: First, agricultural labor; second, domestic service in a private home; third, casual labor not in the course of the employer's trade or business; fourth, service performed as an officer or member of a crew of a vessel documented under the law of the United States or of any foreign country; fifth, service performed in the employ of the United States Government or of an instrumentality of the United States; sixth, service performed in the employ of a State, a political subdivision thereof or an instrumentality of one or more States or political subdivisions; seventh, service performed in the employ of a corporation, community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruely to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Thus it will be seen that the original concept of title 2 of the Social Security Act was to provide for an old-age retirement system which would provide a decent annuity for the covered workers and for which the workers themselves would in part pay. The program contemplated organization as an insurance system to be operated by the Government. In the years that have intervened since the organization of this program, consistant demands have been made for the extension of the system so as to include all or part of the workers not now covered. On this phase of the program, I am in hopes that the next Congress will adopt amendments that will extend the coverage of the act so as to include many of the groups that are now excluded.

The second contention that has arisen involves the reserve program. There is a definite school of thought in this country that effectively contends that the so-called old-age and survivors' insurance reserve is a myth and a delusion as presently operated. This school of thought insists that the program be maintained and extended largely on a pay-as-you-go basis, with each generation being called upon to pay for the support of the people then living who have reached retirement age. Those who embrace this school of thought contend that taxes should only be levied at rates sufficient to bring into the Treasury each year the amount necessary to meet the current demands for payment, plus an additional amount to be set up in reserve to take care of unforeseen contingencies that might arise.

The other school of thought embraces the idea that pay-roll taxes paid into the Treasury of the United States can be spent for general Government activities, and that a reserve fund can be created consisting of Government obligations amounting to 100 percent of the tax collected and that the interest on such Government obligations will take care of the entire cost of the system. They contend that as the Government was setting up an insurance plan, it should follow the practice of private insurance companies and create a giant reserve fund to insure the financial soundness of the plan. This theory sounds completely plausible. They point out that the plan began in 1936, with employer and employee each paying 1 percent on pay rolls. No pensions were to be paid until 1942. Between 1936 and 1942, how did the plan work out in actual practice? The taxes were paid into the Treasury, and, aside from certain refunds and expenses of administration which were deducted, the Government used the money for general Government activities and reimbursed the trustees of the fund with Government obligations. Thus, the trust fund began to grow rapidly, and each year there has accumulated in the trust fund large blocks of Government bonds until the trust account has reached some $5,600,000,000. It will continue to grow year after year, until by 1980 it is estimated that there will be approximately $55,000,000,000 in this fund, represented by Government bonds bearing the average rate of bond interest. The Government, of course, will have to raise the money through taxation to pay the interest on these bonds, but will continue to borrow the liquid funds in the trust, whether acquired through payment of taxes or payment of interest, and substitute Government obligations therefor. Under this method of financing, the citizen has been taxed to create the reserve and must be taxed again to pay the interest.

This conclusion seems inevitable. If the interest on the trust fund is not sufficient to pay the maturing claims as years go on, even at the high rates of tax originally provided in the act, a direct subsidy to the program out of the Treasury will be necessary, requiring additional taxation. Bonds held by the trust may be liquidated, which again will require the Treasury to impose taxes in order to receive the funds with which to liquidate its obligations. It seems clear, therefore, that the Government cannot pay adequate pensions if it continues to borrow the old-age taxes and spends them to support current Government activities. The whole program is a clearly disguised income-tax levy upon the lowest income groups. As a matter of fact, the law itself, in section 1001 of title 2 of the United States Code, clearly states that the tax levied upon employees is an income tax, whereas the tax levied upon employers is designated as an excise tax.

I have frequently wondered how this giant reserve program came into being and recently read an article appearing in Harpers Magazine in the issue of February 1939, in which the economist, John T. Flynn, gives the history of the enactment of this legislation. Because of its historic significance and bearing upon the question now confronting the House, I desire to quote from that article:

In the winter of 1934–35 a group of technical agents of the Cabinet Committee on Economic Security were bringing their labors to an end. The idea of a reserve had arisen somewhere but every actuarial and financial expert consulted opposed it vehemently. Messrs. O. C. Richter and W. R. Williamson were the actuarial consultants of this group. (Mr. Williamson is now actuary of the Social Security Board.) They opposed it as "quite beyond the realm of practical possibilities" and an "unsound departure from the principles that should govern social insurance." They are authority for the statement that "Representative of the Treasury and Federal Reserve System who acted as financial advisers to the committee were of the opinion that an old-age-pension plan which did not require a reserve would be preferable."

Four eminent actuarial consultants of the Cabinet committee were called. They were Mr. M. A. Linton, president of the Provident Mutual Life Insurance Co.; Prof. A. L. Mowbray, of the University of California; Prof. Henry L. Reitz, of the University of Iowa; and Prof. James W. Glover, of the University of Michigan. Mr. Linton writes me: "The actuarial consultants were unanimously opposed to a large reserve and expressed themselves clearly on the point." Says Dr. Reitz: "It is my recollection that the committee was unanimously against holding reserves on this basis. The members of our committee argued as strongly as they could against this feature of the plan in certain committee meetings of the larger group including representatives of the Treasury."

Finally the Cabinet committee adopted the advice of these consultants and in their report to the President expressly declared that "The plan we advocate amounts to having each generation pay for the support of the people then living who are old." It warned against large reserves and announced that "to keep the reserves within manageable limits we suggest that the combined rate of employers and employees be 1 percent for the first 5 years (against 2 percent for the first 5 years adopted in the act); 2 percent for the second 5 years; 3 percent the third 5 years; 4 percent the fourth 5 years, and 5 percent thereafter."

And upon this report, signed by four members of the Cabinet and Harry Hopkins, the Wagner-Lewis bill was framed.

But at this point a strange thing happened. The President, seeing the report of the committee, expressed apprehension at the fact that in 30 or 40 years general taxes would be required to supplement the old-age pay-roll taxes. He gave the matter a swift, glancing blow of his mind and decided that future generations ought not to be burdened. About this time, and perhaps hearing of this, an official of the Treasury Department called upon the President and spun him a whimsical yarn of fairy finance. He pictured how a great reserve might be created; how with this, which would belong to the poor, all the national bonds would be bought; how the interest being paid the rich would now be paid to the poor; how the grave problem of tax-exempt bonds would thus be solved, since the debt would be practically extinguished as a possession of the rich; how the old-age

system would thus become self-supporting and future generations would be emancipated from the drudgery of providing for their aged; and how, most delightful to contemplate, these immense old-age tax collections and the mounting reserves would become an almost inexhaustible reservoir of funds to meet Government deficits. Here was a miraculous contrivance of heavenly finance. It was a wondrous vision which could survive only upon one condition, a condition easily complied with, that it be not looked at too closely.

About this time the House committee was holding hearings on the bill as introduced by Messrs. WAGNER and LEWIS. The heat was on, and the administration managers were jamming it through the committees at the full speed then so easily managed. Except for administration spokesmen, witnesses were allowed only 5 minutes each. Only a few days remained, when one morning Secretary Morgenthau, who had signed the report against large reserves, walked into the committee chamber with a message. The Treasury, he declared, wanted the huge reserve, the $47,000,000,000 device, put into the bill and the rates raised to make that possible. And so, with little or no thought about the matter, under the pressure of the Presidential "must," this grotesque fraud was railroaded through the committee. It got little notice. Later the bill was jammed through Congress. Some Members warned against it. The American Association for Social Security, which for years had fought the battle for social security, issued a solemn protest. But Mr. Vinson told the House the President wanted it. And it became a law. It remains in the law despite the fact that it has, so far as I have been able to find, the support of no first- or second-class economist, actuary, or finance expert either here or abroad and despite the fact that old-age insurance systems have existed for many years, even decades, abroad without anything more than small convenience reserves.

It must be remembered that this statement was made in 1939, before the Nation was confronted with the tremendous deficit financing incident to the war. I wonder, in view of present conditions, whether the President could have been sold on the idea of the giant reserve plan when faced with the prospect of a national debt of $300,000,000,000. It seems clear to me that when the workmen of this country realize that they are to be asked to contribute a 100-percent increase in pay-roll taxes with no resultant increase in the annuities to which they and their families will be entitled under present provisions of law, they will begin to ask some questions about this program. I am a firm believer in social security and have long advocated the extension of coverage, not only under title 2 but also under title 3, providing for grants to the States for unemployment compensation. There is little doubt in my mind but that as the years go on, demands will be made, very properly, for increases in the annuity and benefit provisions under title 2 and for compensation increases under title 3. It seems to me that in view of this almost overwhelming demand for revision of the Social Security Act, that we should at the same time reexamine the whole philosophy involved in the reserve trust funds and that the present rate of tax, which will provide ample funds for years to come, should be maintained until opportunity is had to reexamine and explore the possibilities for revision of the entire act. Those who will be forced to retire at age 65 in the next 15 years will be shocked to learn of the pitiful annuities on which they will be required to subsist. It seems to me that common honesty requires that this whole program, and especially titles 1, 2, and 3, be reexamined and reappraised now in the light of our experience under the system since 1936. We should reexamine the question involved in the accumulation of huge reserves of Government bonds in view of the present fiscal situation of the Nation. If we must raise taxes to take care of the aged and to pay suitable and proper annuities and unemployment compensation, we should do it directly through a system of income taxes instead of requiring the lowest income paid groups of the country to have levied upon them an income tax under the guise of social security all out of proportion in many instances to their ability to pay.

I trust that further piecemeal attempts to deal with the problem will be postponed and that the Ways and Means Committee will go into this whole subject matter again and bring before the Congress a completed and rounded piece of legislation that will attempt the solution of the complexities and problems that have arisen as a result of our experience with this law since 1936.

The CHAIRMAN. Under the rule, the Committee will rise.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. MCCORD, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill H. R. 5564, pursuant to House Resolution 667, had reported the same back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. DOUGHTON of North Carolina. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 262, nays 73, not voting 94, as follows:

[Roll No. 120]

YEAS—262

Abernethy	Bolton	Colmer
Allen, Ill.	Bonner	Cox
Allen, La.	Boren	Cravens
Andersen, H. Carl	Boykin	Crawford
Anderson, Calif.	Bradley, Mich.	Cunningham
Andresen, August H.	Brehm	Curley
Andrews, Ala.	Brown, Ga.	Curtis
Andrews, N. Y.	Bryson	D'Alesandro
Angell	Buck	Day
Arends	Buckley	Dewey
Arnold	Buffett	Dilweg
Auchincloss	Butler	Disney
Baldwin, Md.	Canfield	Dondero
Barden	Carlson, Kans.	Doughton, N. C.
Barrett	Carrier	Drewry
Bates, Mass.	Carson, Ohio	Durham
Beall	Carter	Dworshak
Beckworth	Case	Eaton
Bender	Celler	Elliott
Bennett, Mich.	Chapman	Ellis
Bennett, Mo.	Chiperfield	Ellsworth
Bishop	Church	Elmer
Blackney	Clason	Engle, Calif.
Bland	Clevenger	Fellows
	Cole, Mo.	Fernandes
	Cole, N. Y.	Fish
Fisher	Kinzer	Reed, Ill.
Folger	Kleberg	Reed, N. Y.
Fulbright	Knutson	Rees, Kans.
Fuller	Kunkel	Richards
Fulmer	Landis	Rivers
Gamble	Lanham	Robertson
Gathings	Larcade	Robsion, Ky.
Gavin	Lea	Rockwell
Gerlach	LeCompte	Rodgers, Pa.
Gibson	LeFevre	Rogers, Mass.
Gifford	Lewis	Rohrbough
Gilchrist	Ludlow	Rolph
Gillespie	McConnell	Rowe
Gillette	McCord	Russell
Gillie	McCowen	Satterfield
Goodwin	McGehee	Schiffler
Gossett	McKenzie	Schwabe
Graham	McMillan, S. C.	Scrivner
Grant, Ala.	McMillen, Ill.	Short
Grant, Ind.	McWilliams	Simpson, Ill.
Gregory	Maas	Simpson, Pa.
Gwynne	Mahon	Slaughter
Hagen	Manasco	Smith, Ohio
Hale	Mansfield, Tex.	Smith, Va.
Hall, Edwin Arthur	Martin, Iowa	Smith, Wis.
Hall, Leonard W.	Martin, Mass.	Springer
Halleck	Mason	Starnes, Ala.
Hancock	May	Stearns, N. H.
Hare	Merrow	Stewart
Harris	Michener	Stigler
Hays	Miller, Conn.	Sullivan
Hébert	Miller, Mo.	Sumner, Ill.
Heidinger	Miller, Nebr.	Sumners, Tex.
Hess	Miller, Pa.	Sundstrom
Hill	Mills	Taber
Hobbs	Monkiewicz	Talbot
Hoeven	Mott	Talle
Hoffman	Mundt	Taylor
Holmes, Mass.	Murray, Tenn.	Thomason
Holmes, Wash.	Murray, Wis.	Tibbott
Hope	Newsome	Towe
Horan	Norman	Troutman
Howell	Norrell	Vincent, Ky.
Jarman	O'Brien, N. Y.	Vinson, Ga.
Jenkins	O'Hara	Vorys, Ohio
Jensen	O'Konski	Vursell
Johnson, Anton J.	O'Neal	Walter
Johnson, Calvin D.	Pace	Weaver
Johnson, Ind.	Patton	Welchel, Ohio
Johnson, J. Leroy	Peterson, Fla.	West
Johnson, Luther A.	Peterson, Ga.	White
Johnson, Okla.	Philbin	Whitten
Jones	Phillips	Whittington
Jonkman	Pittenger	Wigglesworth
Judd	Ploeser	Willey
Kean	Plumley	Wilson
Kearney	Poulson	Winter
Keefe	Powers	Wolcott
Kerr	Pratt, Joseph M.	Wolfenden, Pa.
	Price	Woodruff, Mich.
	Ramey	Woodrum, Va.
	Randolph	Worley
	Rankin	Zimmerman
	Reece, Tenn.	

NAYS—73

Anderson, N. Mex.	Granger	Murphy
Bates, Ky.	Harless, Ariz.	Myers
Bloom	Hart	Norton
Bradley, Pa.	Hoch	O'Brien, Ill.
Burchill, N. Y.	Hull	O'Brien, Mich.
Burdick	Izac	O'Connor
Camp	Johnson, Lyndon B.	Poage
Cannon, Mo.	Kee	Priest
Capozzoli	Kefauver	Rabaut
Cochran	Kelley	Ramspeck
Coffee	King	Robinson, Utah
Cooper	Kirwan	Rowan
Crosser	Klein	Sabath
Dawson	Lane	Sadowski
Dingell	Lemke	Sauthoff
Eberharter	Lesinski	Smith, Maine
Engel, Mich.	Lynch	Snyder
Feighan	McCormack	Spence
Flannagan	Madden	Tarver
Fogarty	Marcantonio	Thomas, Tex.
Forand	Monroney	Voorhis, Calif.
Gale	Morrison, La.	Weiss
Gordon	Morrison, N. C.	Welch
Gorski	Murdock	Wickersham
		Wright

NOT VOTING—94

Baldwin, N. Y.	Byrne	Delaney
Barry	Cannon, Fla.	Dickstein
Bell	Chenoweth	Dies
Brooks	Clark	Dirksen
Brown, Ohio	Compton	Domengeaux
Brumbaugh	Cooley	Douglas
Bulwinkle	Costello	Ellison, Md.
Burch, Va.	Courtney	Elston, Ohio
Burgin	Daughton, Va.	Fay
Busbey	Davis	Fenton

Fitzpatrick	LaFollette	Scott
Ford	Lambertson	Shafer
Furlong	Luce	Sheppard
Gallagher	McGregor	Sheridan
Gearhart	McLean	Smith, W. Va.
Griffiths	McMurray	Somers, N. Y.
Gross	Magnuson	Sparkman
Harness, Ind.	Maloney	Stanley
Hartley	Mansfield, Mont.	Stefan
Heffernan	Merritt	Stevenson
Hendricks	Mruk	Stockman
Herter	O'Toole	Thomas, N. J.
Hinshaw	Outland	Tolan
Holifield	Patman	Torrens
Jackson	Pfeifer	Treadway
Jeffrey	Pracht, C. Frederick	Wadsworth
Jennings	Rizley	Ward
Johnson, Ward	Rooney	Wasielewski
Kennedy	Sasscer	Wene
Keogh	Scanlon	Whelchel, Ga.
Kilburn		Winstead
Kilday		Wolverton, N. J.

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Elston of Ohio for, with Mr. Outland against.

Mr. Douglas for, with Mr. Baldwin of New York against.

Mr. Gallagher for, with Mr. Wasielewski against.

Mr. Smith of West Virginia for, with Mr. Fitzpatrick against.

Mr. Brown of Ohio for, with Mr. Barry against.

Mr. Daughton of Virginia for, with Mr. Fay against.

Mr. Herter for, with Mr. McMurray against.

Mr. Sasscer for, with Mr. Somers of New York against.

Mr. Jeffrey for, with Mr. Torrens against.

Mr. Fenton for, with Mr. Rooney against.

Mr. McGregor for, with Mr. Delaney against.

Mr. Gross for, with Mr. Scanlon against.

Mr. Rizley for, with Mr. Dickstein against.

Mr. Griffiths for, with Mr. Byrne against.

Mr. Stefan for, with Mr. Keogh against.

Mr. Kilburn for, with Mr. Heffernan against.

Mr. Shafer for, with Mr. Merritt against.

Mr. Jennings for, with Mr. O'Toole against.

Mr. C. Frederick Pracht for, with Mr. Pfeifer against.

General pairs:

Mr. Bell with Mr. Dirksen.

Mr. Clark with Mr. Ellison of Maryland.

Mr. Winstead with Mr. Harness of Indiana.

Mr. Burch of Virginia with Mrs. Luce.

Mr. Sheppard with Mr. Wadsworth.

Mr. Kennedy with Mr. Hartley.

Mr. Bulwinkle with Mr. Wolverton of New Jersey.

Mr. Kilday with Mr. Thomas of New Jersey.

Mr. Sparkman with Mr. Chenoweth.

Mr. Cooley with Mr. Stockman.

Mr. Davis with Mr. Busbey.

Mr. Courtney with Miss Stanley.

Mr. Brooks with Mr. Compton.

Mr. Cannon of Florida with Mr. Stevenson.

Mr. Hendricks with Mr. LaFollette.

Mr. Domengeaux with Mr. Scott.

The result of the vote was announced as above recorded.

A motion to reconsider the vote by which the bill was passed was laid on the table.

Calendar No. 1384

78TH CONGRESS } SENATE { REPORT
2d Session } { No. 1356

FIX RATE OF TAX UNDER FEDERAL INSURANCE CONTRIBUTIONS ACT ON EMPLOYER AND EMPLOYEE FOR CALENDAR YEAR 1945

DECEMBER 7 (legislative day, NOVEMBER 21), 1944.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 5564]

The Committee on Finance, to whom was referred the bill (H. R. 5564) to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

This bill provides for "freezing" the rate of tax on pay rolls and wages for old-age and survivors' benefits on employees and employers at the rate of 1 percent for the year 1945, thus postponing an increase to 2 percent on employers and employees as would otherwise result under existing law. This issue has been discussed at length before the Congress.

Your committee believe that the rates of these taxes should not be doubled for 1945. The considerations which moved the committee to take the action are in part stated in the majority report of the Committee on Ways and Means of the House and for the information of the Senate that report, together with the dissenting views, is attached hereto.

[H. Rept. No. 2010, 78th Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 5564) to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945, having considered the same, report favorably without amendment thereon and recommend that the bill do pass.

This bill provides for "freezing" the rate of tax on pay rolls and wages for old-age and survivors' benefits on employees and employers at the rate of 1 percent for the year 1945, thus postponing an increase to 2 percent on employers and employees as would otherwise result under existing law. Your committee is convinced that it is not necessary to double existing rates for 1945 in order to protect the solvency of the old-age and survivors' insurance fund.

When the social security law was amended in 1939, your committee and the Congress were both definitely of the opinion that the reserve contemplated in the

original act, and variously estimated under the original schedule of tax rates to reach from 47 billion to 49 billion dollars, was not necessary for the solvency of the fund.

The estimate furnished to the committee and the Congress in 1939 indicated that the reserve would amount to $3,122,000,000 in 1944 with a graduated schedule of tax rates. However, the reserve has now reached the sum of approximately $6,000,000,000 with a tax rate of 1 percent on employee and employer, and will approximate $7,250,000,000 by the end of 1945. Thus the reserve fund will be more than 2 times the amount that was contemplated under the estimates used when the social security system was revised in 1939, and was placed on what was then considered to be a sound actuarial basis. In the hearings of 1939, the Secretary of the Treasury, Mr. Morgenthau, testified as follows:

"Specifically, I would suggest to Congress that it plan the financing of the old-age insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to not more than three times the highest prospective annual benefits in the ensuing 5 years."

Congress has upon 3 occasions applied this rule and as a result has 3 times postponed the statutory increase in pay-roll taxes. Your committee finds that the old-age reserve as of June 30, 1944, was $5,450,000,000, and approximately $6,000,000,000 as of the end of this year and that according to the most recent estimates of the Social Security Board the highest annual expenditure will be between $450,000,000 and $700,000,000 in the next 5 years. Therefore, the existing reserve is from 8 to 12 times the highest annual expenditure instead of 3 times, as recommended by the Secretary of the Treasury.

It should be also pointed out that the tax collections at 1 percent on employee and 1 percent on employer now exceed the amount originally anticipated from the higher tax rate provided in the Social Security Act as amended in 1939. Tax collectons, even with the tax rate retained at 1 percent on employee and employer respectively, have substantially exceeded the estimatse furnished in 1939 and the benefits paid have fallen far below the estimates furnished to the Congress in 1939. Therefore, since the automatic increase in tax to 2 percent on employer and employee, respectively, effective next January is unnecessary for benefit payments (for many years to come), or for the maintenance of a contingent reserve 3 times the highest anticipated expenditure in the next 5 years, we submit that these taxes should not be doubled at this time.

The committee does not feel that any unnecessary increase in the existing high tax burden should be made now in view of the problems of reconversion from war to peace that soon will confront us and which must be solved. It should be clearly understood that this legislation has no connection with the question of expansion of social security benefits or coverage, but refers solely to the problem of financing existing benefits and coverage. It does not involve in any way, benefit payments under the old-age assistance or so-called old-age pension systems which are paid out of annual appropriations.

As has been stated, actual experience in the operation of the system has demonstrated the inaccuracy of the estimates made only 5 years ago to say nothing of those made in 1935.

In order that your committee may have the benefit of expert advice based upon the experience of the past 9 years, it has unanimously voted to commence a study, at an early date, of what constitutes an adequate contingent reserve fund and the rates required to produce and maintain that fund on a sound financial basis.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in the Federal Insurance Contributions Act made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

"SEC. 1400. RATE OF TAX.

"In addition to other taxes, there shall be levied, collected, and paid upon the income of every individual a tax equal to the following percentages of the wages (as defined in section 1426 (a)) received by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943 [and] 1944, *and 1945*, the rate shall be 1 per centum.

[(2) With respect to wages received during the calendar year 1945, the rate shall be 2 per centum.]

[3] (2) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

[(4)] (3) With respect to wages received after December 31, 1948, the rate shall be 3 per centum.

* * * * * * *

"SEC. 1410. RATE OF TAX.

"In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 1426 (a)) paid by him after December 31, 1936, with respect to employment (as defined in section 1426 (b)) after such date:

(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, [and] 1944, *and 1945*, the rate shall be 1 per centum.

[(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 per centum.]

[(3)] (2) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

[(4)] (3) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

DISSENTING VIEWS

The undersigned members of the Ways and Means Committee respectfully submit their dissenting views relative to H. R. 5564, which has been favorably reported by the majority of the committee.

We deeply regret that our considered opinion with respect to this bill is at variance with a majority of our colleagues and that we cannot concur in the recommendation that the bill should be reported favorably.

The bill reported by a majority of the committee will prevent the rate of contributions under the Federal old-age and survivors insurance system from increasing on January 1, 1945, in accordance with the schedule contained in the present law. We believe this action to be unwise and detrimental to the basic principles underlying a contributory social-insurance system. Our reasons are summarized as follows:

SUMMARY OF OBJECTIONS TO THE BILL

1. The success of a contributory system of social insurance is at stake.

We believe that the very success of this contributory social-insurance system which Congress established in 1935 is at stake and not merely the fixing of a tax rate in the usual sense of the term. The Congress of the United States in 1935 took a long step forward in undertaking to substitute for a hit-and-miss method of relieving destitution through a Government dole a systematic long-range method known as contributory social insurance. Under a system of contributory social insurance, benefits are paid as a matter of right without a means or a needs test and are related in an equitable manner to the length of time a person has been insured and the amount of his past earnings. An essential characteristic of any contributory social-insurance system is that the benefits are financed wholly or in large part from contributions made by or on behalf of the beneficiaries. It is just as true of a social-insurance system as of any insurance system that its security depends upon the certainty and soundness of the methods used to finance it. In financing a contributory social-insurance system it is necessary to make certain that the promises made today to pay benefits in the future can be and will be fulfilled. Under a social-insurance system providing old-age annuities based upon the length of time insured initial costs are low and ultimate costs are high. In the case of this social-insurance system it has been estimated that the eventual annual cost will be 15 to 20 times what they are today.

2. The cost of benefits promised is far in excess of the contributions being collected.

None of the witnesses appearing before the committee placed the average annual cost of this insurance system at less than 4 percent of pay roll. Some of the estimates placed the average annual cost as high as 7 percent and the eventual annual cost as high as 11 percent. Therefore, it is obvious that the actuarial soundness of this insurance system will continue to deteriorate so long as the current rate of contributions is kept at the present low level. Even if we accept the lowest estimate of 4 percent average annual cost, it may be said that the

reserve fund of this system already has a deficit of $6,600,000,000. If we take the higher estimate of 7 percent average annual cost, it may be said that the reserve fund already has a deficit of about $16,500,000,000. The fact that we are collecting as much at the present 1-percent rate as it was estimated in 1939 we would collect at the 2-percent rate does not affect these estimates of cost and the size of the deficit, since the liabilities assumed by the insurance system have likewise increased.

One of the arguments advanced for not permitting the automatic increase in rate to take effect is that there should be a study made of the financing of this system and of social security generally. Another argument advanced is that Congress will soon consider the extension and broadening of the social-security law. These arguments lack validity, since the minimum-cost estimate set forth above has not been disputed by any witness appearing before the committee and it is obvious that any extension and broadening of the social-security law will certainly not result in a reduction in cost. Therefore, there appears to be no good reason why present costs, which are not disputed, should not be properly financed.

3. The continuance of the present pay-roll-tax rate will require an eventual Government subsidy.

If the rate of contributions is continued at less than the average annual cost of this insurance system, it is a mathematical certainty that there will be one of the following three results: (1) The future pay-roll-tax rates will have to be much higher if the insurance system continues to be financed wholly by pay-roll taxes; or (2) the benefits promised will have to be reduced; or (3) the Federal Government will be obliged to provide a subsidy out of general tax revenues.

There is, of course, a limit to the amount of pay-roll taxes that can be levied in justice to employers and workers. In the case of the workers the actuarial figures indicate that if the eventual rate is placed higher than 3 percent large numbers will be required to pay more for their benefits under this insurance system than if they obtained similar protection from a private insurance company. Since such a result would be clearly inequitable and since the repudiation by the Government of benefits promised is unthinkable, the only real alternative is an outright Government subsidy.

In making these statements, it should not be concluded that we are opposed to some eventual contribution by the Government to the social-insurance system out of general revenues, provided it is not caused solely by the fact that an unjustifiably low rate is levied in the early years of operation and provided there is complete coverage of the workers in this country. However, at the present time, there are some 20,000,000 individuals engaged in occupations which are excluded from the insurance system. We believe, therefore, that before any such contribution is made to the social-insurance system out of general revenues consideration should be given to broadening the coverage of the insurance program.

4. Freezing costs taxpayers more later on.

A major argument that has been made by persons in favor of the tax freeze is that it does not make any difference to the taxpayers of the future whether they are required to pay taxes to cover the interest on Government bonds held by the reserve fund or are required to pay taxes for an outright Government subsidy to this insurance system. This argument was completely disproved in the course of the hearings, since not only the Chairman of the Social Security Board but M. A. Linton, president of the Provident Mutual Life Insurance Co., who advocates the freeze, both agreed that the amount of taxes to be raised in the future if there is no reserve fund will be twice as much as if there is a reserve fund. Both of these witnesses agreed that the interest payable on Government obligations held by the reserve fund would otherwise have to be paid to private investors who would be holding these obligations and in addition a subsidy of an equal amount would still have to be made to the insurance system.

5. Delay in automatic step-up will create future hardship for employers and workers.

It has been suggested that now is a difficult time for employers and workers to meet the additional 1-percent tax on pay rolls. We sympathize with the difficulties of meeting the present tax burden made necessary by the war. However, we are of the opinion that it will be far more difficult for employers and workers to absorb an increase in the rate a year from now or at any date in the near future. The profits of most employers are at a high level today. In fact, the majority of employers will be required to pay excess-profits taxes. Therefore, in most cases the increased pay-roll tax payable by employers will be partially offset by the reduction in the excess-profits taxes they will be required to pay. So far as

the workers are concerned, the committee was informed that both the American Federation of Labor and the Congress of Industrial Organizations are in favor of permitting the automatic increase to take effect. As members of the Committee on Ways and Means, the committee which has the difficult task of raising taxes, we are impressed by the willingness of the workers of this country to pay their equitable share of the cost of these benefits. We wish to commend these labor organizations for their statesmanlike action which indicates that they truly understand and appreciate the value of this contributory social-insurance system, and therefore desire to maintain its financial integrity.

6. Low contributions imply low benefits.

The real reason why many people advocate keeping the contribution rate at a level below the true cost of the benefits provided is that they fear the accumulation of a reserve fund will create a demand for an increase in the size of the benefits. However, in our opinion the continuation of the present unjustifiably low contribution rate has the effect of making people believe that the cost of the benefits provided is low and that the value of the benefits provided is inconsequential. As already pointed out the real cost and value is far in excess of the rate of contribution now being collected. The survivors benefits alone have a face value between $3,000 and $10,000 for most families and as high as $15,000 for some families. The total amount of survivors benefits provided have a face value of $50,000,000,000.

Most people estimate the value of what they buy by the price which they pay. Therefore, we believe that an increase in the contribution rate will result in less extravagant rather than more extravagant demands being made upon the Congress for an increase in the benefits provided.

7. Freezing not consistent with general congressional policy.

The policy embodied in the majority's recommendations to freeze the rate of contributions under the old-age and survivors insurance system is defended on the ground that only sufficient contributions should be collected to cover the cost of benefits currently being paid out. However, this policy is diametrically opposed to the policy which the Congress follows in the national service life insurance system for veterans of World War II, the Government life insurance system for veterans of World War I, the civil-service retirement fund, the Foreign Service life insurance fund, and several other of the retirement funds set up by the Congress. In completely departing from this principle for the Federal old-age and survivors insurance fund, we believe that the Congress is making a grave mistake.

CONCLUSION

For the reasons outlined above, we oppose the freezing of social-security contributions at the present time. We believe that the action of the majority of the committee is unwise and unsound.

We believe that it is important to strengthen the social-insurance provisions of the Social Security Act. We cannot do so unless we assure the continuation of the social-insurance provisions on a sound financial basis that will guarantee to every American citizen that he will get his social-insurance benefits as a matter of right and not as a dole.

We do not believe that the present provisions of the Social Security Act are perfect. We believe that many of the provisions in the existing law should be strengthened and expanded. We believe that the Committee on Ways and Means should give consideration to a comprehensive review of all of the provisions of the Social Security Act. Only in this way can the contributions and the benefit provisions be seen in proper perspective. However, we do not believe it is wise, pending such consideration, to emasculate the proper financing of the admitted true cost of the benefits now provided. We are opposed, therefore, to the piecemeal consideration of one aspect of social-security legislation and favor a comprehensive study of the entire social-security program with a view toward broadening, expanding, and strengthening its provisions so that it will make its full contribution to the preservation of our democracy and our system of free enterprise in the difficult reconversion and post-war periods.

JERE COOPER.
JOHN D. DINGELL.
A. SIDNEY CAMP.
WALTER A. LYNCH.
AIME J. FORAND.
HERMAN P. EBERHARTER.
CECIL R. KING.

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HOUSE BILLS REFERRED

H. R. 5564. An act to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945; to the Committee on Finance.

QUESTIONS AND ANSWERS ON OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Mr. WAGNER. Mr. President, I ask unanimous consent to have printed in the RECORD a series of questions and answers on the old-age and survivors insurance trust fund. I believe these questions and answers will be of help to Senators in considering the problem of the social-security freeze, which now is pending before the Committee on Finance.

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

THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

Question. What is the Federal old-age and survivors insurance trust fund?

Answer. It is a fund composed of amounts accumulated under the old-age and survivors insurance program. The fund is held by the board of trustees under authority of the Social Security Act. The three members of this board, each of whom serves in an ex-officio capacity, are the Secretary of the Treasury, the Secretary of Labor, and the Chairman of the Social Security Board. The Secretary of the Treasury serves as managing trustee.

Question. From what sources do receipts come into the trust fund?

Answer. Receipts come primarily from contributions paid by covered workers and their employers toward old-age and survivors insurance. A secondary source of receipts is interest received on investments held by the fund. A third potential source of revenue for the trust fund is provided in an amendment to the Social Security Act in 1943, which authorizes, as a Government contribution, the appropriation to the trust fund of such additional sums out of general revenues as may be required to finance the benefits and payments provided under the Social Security Act.

Question. Can the money in the trust fund be spent for any other purpose than to pay for old-age and survivors benefits and administrative expenses? Could money from the trust fund be used to pay out unemployment insurance benefits, for instance, if unemployment compensation funds were exhausted?

Answer. No. The sums in the trust fund can be used for no other purpose than to pay old-age and survivors benefits and the administrative expenses of the program. There is no connection whatsoever between the old-age and survivors insurance trust fund and the unemployment trust fund, except that both operate under the Social Security Act.

Question. Does the managing trustee invest all the contributions that come into the trust fund?

Answer. He invests that portion of the trust fund which is not required for meeting current expenditures for benefits or administration.

Question. Can the managing trustee invest sums from the trust fund as he pleases?

Answer. No. According to the act, amounts in the fund not required for current expenditures must be invested in interest-bearing obligations of the United States Government or in obligations guaranteed as to both principal and interest by the United States. The reason for this limitation is that such investments are the safest in the world. It is also standard practice for all trust funds held by the Federal Government.

The investment feature of the trust fund is a procedure similar to that followed by sound business concerns. Banks, insurance companies, and others do not store in a vault all the money they receive. The money not currently needed is put to work—invested so it will earn interest.

Question. What investments were made for the fund during the fiscal years ending June 30, 1943, and June 30, 1944?

Answer. During the fiscal year 1943, special Treasury notes were bought to the amount of $1,434,000,000 and Treasury bonds to the amount of $125,000,000; during the fiscal year 1944, purchases of special Treasury notes totaled $342,000,000, purchases of Treasury bonds, $450,035,880, and Treasury certificates of indebtedness, $380,000,000.

Question. How much does the interest from investments amount to?

Answer. The total amount of interest received on investments of the trust fund through June 30, 1944, was $404,658,876.

Question. Doesn't investing sums from the trust fund in Government bonds mean that old-age and survivors insurance contributions are collected to pay for other Government activities?

Answer. No. The money is loaned to the Federal Government for use in the same way as money the Federal Government borrows from banks, insurance companies, individuals, etc. The loan must be repaid with interest.

Question. Are not workers covered by O. A. S. I. taxed twice to pay for their benefits?

Answer. No. The contributions are deposited in the trust fund and invested in Government bonds, i. e., the Treasury borrows them. It uses the money just as if it had been borrowed from banks. Later, when benefits are to be paid, the Treasury may have to get money by taxation to redeem the bonds held by the trust fund, so the trust fund can pay the benefits. These later taxes are not for the purpose of paying O. A. S. I. benefits. Rather, they are to pay for the cost of the war and the general operating expenses of the Government. If the trust fund were not there, the Treasury would have to borrow that much more from banks. Then in the future we would have to pay just as much in taxes to pay off the bonds held by the banks, and in addition we would have to be taxed to support the aged and survivors. So a contributory social security program which builds up a trust fund through payroll contributions now is really a device for getting wage earners as a group to finance their own future security by lending some of their present earnings to the Treasury, to be repaid when needed. To this extent it reduces the amount of taxation which will be necessary in the future to meet our total obligations.

Question. If amounts from the trust fund are invested, does it not mean that when the money is needed to pay benefits it may not be there?

Answer. The investments of the trust fund may be converted to cash at any time. Moreover, every year the board of trustees submits a report to Congress on the operations and status of the trust fund during the preceding year and on its expected operation and status during the next 5 fiscal years. Thus, if there were ever any danger of there being too little money in the trust fund for payments, the deficit would be foreseen early enough so that remedial action could be taken.

Question. Is there enough in the fund now to take care of the liabilities when they come due?

Answer. No; there is not. At present the system is not self-supporting. The total liability which has accrued on a level premium basis for the payment of insurance benefits is several times in excess of the amount in the existing trust fund.

Question. Have the rates of contribution been raised?

Answer. No; the contributions have been kept at the original rates—1 percent of taxable wages for both employer and employee. The original act provided that the rates should rise to 1½ percent on January 1, 1940, to 2 percent on January 1, 1943, to 2½ percent on January 1, 1946, and to 3 percent on January 1, 1949. The social security amendments of 1939 modified this original schedule of contribution rates to provide that the rate of 1 percent each on employees and employers should continue in effect through 1942, but left the remainder of the schedule as originally enacted. The Revenue Act of 1942 provided that the 1-percent rates should continue through 1943. Public Law 211 of the Seventy-eighth Congress extended the 1-percent rates further through February 29, 1944, while the Revenue Act of 1943 extended the same rates throughout 1944. As it stands now, the 2-percent rates are to go into effect on January 1, 1945, the 2½-percent rates on January 1, 1946, and the 3-percent rates on January 1, 1949.

Question. Why was a graduated schedule of contributions incorporated in the 1935 Social Security Act?

Answer. It was incorporated in order to give employees, employers, and the economy generally an opportunity to become adjusted to the imposition of the pay-roll taxes.

Question. As time goes on, are benefit disbursements under the program expected to increase?

Answer. They are expected to increase markedly over a long period. The reason is that for many decades the number of persons aged 65 and over will be increasing and that an increasing proportion of such aged persons will be qualifying for benefits under the old-age and survivors insurance system. At the beginning of 1940 there were about 9,000,000 persons aged 65 and over, equivalent to 6.8 percent of the total population. According to carefully developed estimates, the number of persons aged 65 and over may increase to about 22,000,000 or 14.4 percent of the population within 40 years. Moreover, the proportion of aged persons eligible to receive benefits under the program will be constantly increasing over the same 40 years.

Question. How much do present benefit payments total?

Answer. Present benefit payments are around $200,000,000 a year,

Question. Has the volume of benefit payments increased or decreased on account of the war?

Answer. Benefit payments have increased steadily during the war, but not because of it. The increase has been less than had been expected under conditions of peace. Many thousands of workers 65 and over who have built up rights to benefits and who probably would have claimed them in more normal times have remained at their jobs. In addition, many persons already on the benefit rolls have suspended their benefit payments by returning to covered employment. These two groups combined constitute some 600,000 persons.

Question. To what extent are disbursements expected to increase?

Answer. Over a period of four decades disbursements may increase as much as 15 to 30 times the present rate.

Question. In making its actuarial projections of the future costs of the old-age and survivors insurance system what factors are taken into consideration?

Answer. Among the most important are: (1) Mortality; (2) population progress dependent upon births, deaths, emigration, and immigration; (3) family composition; (4) amount of employment; (5) amount of wages; (6) length of the productive period; (7) length of the period of dependent childhood; (8) length of the period of retirement; (9) invalidity; (10) interest rates; (11) migration between covered and uncovered employment; (12) the war.

Question. What do the actuarial calculations show as to future costs?

Answer. All actuarial calculations indicate a steeply increasing annual cost. The principal reasons are: (1) The growing number of aged persons in our population. (2) The growing number of aged persons who will become entitled to benefits. (3) The increasing amount of benefits per person due to the fact that size of benefits is related to the amount of earnings and length of employment in covered jobs.

Question. According to the actuarial estimates, how many aged people will be receiving O. A. S. I. benefits in 1960?

Answer. Two actuarial estimates have been made—one under low-cost assumptions and one under high. Under low assumptions, in the year 1960 there will be 3,500,000 aged persons receiving benefits; under the high assumptions 4,800,000. By the year 2000, which is as far as the projections have been carried, these figures will be 10,700,000 under the low assumptions and 19,300,000 under the high. There were 500,000 aged people receiving O. A. S. I. benefits as of June 30, 1944.

Question. How many children and widowed mothers will be getting benefits in 1960?

Answer. Under the low assumptions in the year 1960, 1,800,000 children and widowed mothers will be getting benefits; under the high assumptions 1,600,000. The smaller number of beneficiaries under the high assumptions results from the use of a projected table which assumes lighter mortality combined with a lower birth rate. The lower mortality rate would result in more aged persons qualifying for benefits. There were 340,000 children and widowed mothers receiving benefits as of June 30, 1944.

Question. Are not heavier contributions coming into the trust fund on account of the war, and do not these make up for the low contribution rate?

Answer. The contributions now being collected are higher, true, than was originally expected at the time of the 1939 amendments. During the fiscal year 1944, as a consequence of war, the contributions to the trust fund increased from $691,000,000 in the fiscal year 1941 to $1,292,000,000. This increase came about because more people worked more steadily and at higher wages. Approximately 47,000,000 workers received taxable wages in the calendar year 1943, as compared with only 35,000,000 in 1940 and less than 32,000,000 in 1938. The assets of the trust fund rose from $2,400,000,000 at the end of fiscal year 1941 to $5,400,000,000 at the end of fiscal year 1944, an increase of $3,000,000,000. But the increasing assets of the fund are not a net gain. In considering the increasing amount of contributions, account must be taken of the increased liabilities to which these assets give rise. The wages which account for the increased current receipts will also in the future serve to qualify many individuals for benefits who would not otherwise receive them, and will increase the potential benefit amounts payable to other individuals.

Question. Why does the Social Security Board think the contribution rates should be increased?

Answer. Prudent management requires emphasis on the long-range relationship of income and disbursements. At the 1 percent rate of contribution the system is not self-supporting. It is estimated that the level premium cost of the benefits now provided by the system is between 4 percent and 7 percent of the covered pay roll. This means that if pay-roll taxes of this magnitude (employer tax and employee taxes combined) had been levied from the beginning, and were continued indefinitely, the system as a whole would be just self-supporting. The present rates of contribution even under the most favorable prospects are not more than half the minimum level premium cost of the system. Moreover, they are only one-third the ultimate maximum rates provided by statute.

The Board believes that the rates of contributions should be raised at once to 2 percent each for employers and employees for the following reasons: (1) The existing rates of contributions are less than necessary to support the system on a level-premium basis; (2) the existing rates constitute a smaller proportion of the total cost than it is believed suitable to meet by employer and employee contributions; and (3) general economic conditions are such that increased rates of contribution could be borne without injury to the economy.

FREEZING OF PAY-ROLL TAXES AT 1 PERCENT

Mr. GEORGE. Mr. President, I very much hesitate to ask that the unfinished business be temporarily laid aside. I know how diligently the Senator from Louisiana [Mr. OVERTON] has been in handling the pending bill. I wonder if it would be appropriate to inquire if there are other speeches to be made on the river and harbor bill, or other amendments to be offered. If not, the consideration of the pending bill might be brought to a speedy conclusion.

Mr. AIKEN. Mr. President, I may say that there are other speeches to be made on the river and harbor bill, and at least one other amendment is to be offered. I will state further that the speeches will consume 4 or 5 hours. Several Senators are expected to speak this afternoon. Only one of them, the Senator from Wisconsin [Mr. LA FOLLETTE] has spoken.

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

Mr. GEORGE. I yield.

Mr. OVERTON. I should like very much to accommodate any Senator, but, as I have said before, time is of the very essence in passing the pending bill, if it is to be passed at all. I hesitate to delay matters until Senators can go away and prepare speeches to be delivered later. I think they should be ready to make any speeches which they desire to make. I should prefer that consid-

eration of the pending bill continue, and that it come to a vote, or that some amendment be offered to it.

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

Mr. GEORGE. I yield.

Mr. AIKEN. The Senators to whom I have referred are ready to speak, and I suggest the absence of a quorum.

Mr. GEORGE. Mr. President, I do not yield for that purpose.

The PRESIDING OFFICER. The Senator from Georgia [Mr. GEORGE] declines to yield.

Mr. GEORGE. Mr. President, in the circumstances, since it is obvious that there can be no conclusion today of the river and harbor bill, I should like to ask unanimous consent that the unfinished business be temporarily laid aside and that the Senate proceed to the consideration of Calendar No. 1384, House bill 5564, to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Georgia?

Mr. OVERTON. I object temporarily, for I should like to obtain some information. May I ask the acting majority leader whether under these circumstances we cannot hold a session tomorrow?

Mr. HILL. I will say to the distinguished Senator from Louisiana that of course the Senate could meet tomorrow, and I will cooperate with the Senator to the limit of my ability, and if he decides later this afternoon that he feels that the Senate should hold a Saturday session I shall be delighted to cooperate with him in that matter.

Mr. OVERTON. There is no question in view of the declaration made by the Senator from Vermont [Mr. AIKEN] that we should have a session tomorrow, and we ought to continue as late this afternoon as we possibly can.

Mr. HILL. If the Senator from Georgia will yield, I should like to say that I shall cooperate to the fullest with the Senator from Louisiana in complying with his wishes as to the pending bill and as to a session tomorrow and as to a late session this afternoon.

Mr. OVERTON. Mr. President, of course I realize the great importance of the bill the Senator from Georgia desires to have considered. I understand from him that debate on it will not exceed possibly 35 minutes, if that long.

Mr. WAGNER. The debate will take longer than that.

Mr. GEORGE. Not on the part of those who favor the proposal. I do not know how much opposition there may be, but it should not take long because three times the Senate has passed upon this same question.

Mr. OVERTON. I inquire if the bill can be completed this afternoon?

Mr. GEORGE. I should certainly hope so.

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

Mr. GEORGE. I yield.

Mr. HILL. It would certainly be my thought that the Senate should remain in session at least until it has finished action on the bill the Senator from Georgia now asks to have considered, the so-called social-security bill, and also until the Senate has acted on the bill which the distinguished Senator from New Mexico [Mr. HATCH] desires to call up, namely, the bill extending the Second War Powers Act.

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

Mr. GEORGE. I yield.

Mr. HATCH. There is on the calendar a bill extending the Second War Powers Act. There is no more important bill before the Congress than that. I had understood, if the request of the Senator from Georgia were agreed to, that we might immediately, after completion of consideration of his bill, proceed to the consideration of the bill extending the Second War Powers Act. If that is not understood, Mr. President, I shall object to any other bill coming up in preference to it.

Mr. HILL. Mr. President, if the Senator from Georgia will yield, I will say to the Senator from New Mexico that of course the Senate can consider only one bill at a time. It is certainly my intention that immediately after the conclusion of the consideration of the social-security bill the Senate shall then proceed to the consideration of the bill extending the Second War Powers Act, and that the Senate shall remain in session this afternoon until it has acted finally on both those bills.

Mr. GEORGE. I may say that I join with the acting majority leader in that expression.

Mr. HATCH. Does the minority floor leader also join in that understanding?

Mr. WHITE. I most certainly do.

Mr. HATCH. Might it not be in order to amend or modify the unanimous-consent agreement propounded by the Senator from Georgia so as to include the further agreement that immediately upon the completion of the bill to which he has referred the Senate shall proceed to the consideration of the bill extending the Second War Powers Act? Will the Senator from Georgia amend his request to that effect?

Mr. HILL. Mr. President, if the Senator from Georgia will yield, I know of no reason why the Senate should not make such an order. We want to pass both bills this afternoon.

Mr. GEORGE. I have no objection to that being done.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Georgia as modified?

Mr. HATCH. Including the bill extending the Second War Powers Act?

The ACTING PRESIDENT pro tempore. Including the bill to which the Senator from New Mexico has referred.

Mr. DANAHER. Mr. President, I should like to ask the distinguished chairman of the Committee on Finance if he is willing to include also proceeding to the consideration of Calendar No. 1832, House bill 1033, to suspend the effectiveness during the existing national emergency of the tariff duty on coconuts, which was reported from the Committee on Finance yesterday.

Mr. GEORGE. I do not think it is necessary to do that. We certainly will have an opportunity to pass that bill, and but for the peculiar situation confronting us with reference to the so-called freezing of the social-security tax, I would not ask to displace the unfinished business even temporarily. I am sure we can consider and pass the bill to which the Senator from Connecticut refers.

Mr. DANAHER. The assurances of the able chairman of the Committee on Finance are satisfactory, and I thank him.

Mr. GEORGE. I am sure there will be no opposition to the bill referred to by the Senator from Connecticut, and it can be disposed of.

The ACTING PRESIDENT pro tempore. Is there objection to the request of the Senator from Georgia as modified? The Chair hears none, and it is so ordered.

Mr. HILL. If the Senator from Georgia will yield to me——

Mr. GEORGE. I yield.

Mr. HILL. I merely wish to reiterate what has already been said, to wit, that we propose to stay in session this afternoon until we have completed final action on both these bills.

The ACTING PRESIDENT pro tempore. Is that a part of the request?

Mr. HILL. It is not a part of the request.

Mr. GEORGE. It is a threat.

Mr. HILL. It is an announcement.

The ACTING PRESIDENT pro tempore. The order has been made, and the Senate will proceed to the consideration of the bill.

The Senate proceeded to consider the bill (H. R. 5564) to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945.

Mr. GEORGE. Mr. President, the Committee on Finance, to which was referred House bill 5564, to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945 considered the measure and reported it favorably to the Senate without amendment. The vote was overwhelming, I may say; I do not recall the precise vote, but of those actually represented and who desired to be recorded it was 13 to 2 or perhaps 12 to 2. The bill passed the House earlier this week by a vote of 263 to 72.

The bill provides for the freezing of the rate of tax on employees and employers on pay rolls and wages for old-age and survivors' benefits at the rate of 1 percent for the year 1945, thus postponing for 1 year an increase to 2 percent on employer and employee, as would otherwise result under existing law.

Your committee was of the opinion that the present rate was sufficiently high to protect the reserve fund, and, therefore, believed it wise to freeze again this automatic increase which would become effective on January 1.

Mr. President, when the Social Security Act was originally before the Senate Committee on Finance various estimates were submitted. They were very wide of the mark. I undertake to say

at this late day that the estimates were no substantial guide to the committee, as they subsequently turned out. As late as 1939 it was estimated that by the beginning of the fiscal year on June 30, 1944, the amount of the reserve fund would be a little more than $3,000,000,000, as I recall the figures. Actually the amount in the reserve fund at the beginning of the current fiscal year was $5,450,000,000, and the amount in the reserve fund at the end of December, this current month, will be approximately $6,000,000,000.

It has been recently estimated by the Social Security Board itself that the highest expenditure from this fund, or the highest draft upon the fund, during the next 5 years, would run from four hundred and fifty million to seven hundred million dollars. If we apply the formula suggested by the Secretary of the Treasury in 1939—I will not say that it was a formula in the sense that it was written into the law—the total expenditure for the next 5 years is protected some 10 or 12 times over by the total of the reserve fund as of January 1 next.

Mr. President, I do not pretend to say that there is not an advantage in the contributory social-security system. I do not pretend to say that there is not an advantage in having the fund built up so that the beneficiaries themselves may know that their benefit payments are assured, and also that the present system is entirely without benefit so far as the Treasury is concerned. Yet it is a fact known to all persons, written into the law itself, that the reserve fund about which we are now speaking, is at once covered into the Treasury, after deducting the cost of administration for the current year, and bonds of the Federal Government are passed into that reserve fund as evidencing the amount due by the Treasury to the fund. So it is obvious that the money does go to the general fund.

As a tax for general purposes, the increase to 2 percent on both employers and employees in 1945 cannot be justified. In fact, it cannot be justified at all as a revenue measure. It was never intended as a revenue measure, and as a revenue measure it is the most faulty tax suggestion yet made to any Congress, at any time, by anybody.

In the first place, Mr. President, it is not a tax on the income of a taxpayer; it is a tax on the total pay rolls of the employers and the employees. This is a suitable and appropriate time to illustrate the iniquity of the tax if it be regarded as a tax for revenue.

At the present time the employers of large numbers of people and, therefore, the employers who have large Government contracts are nearly all paying excess-profits taxes. If they are in the 95-percent bracket, those employers would pay, if the increase of 1 percent went into effect January 1, 5 percent; and 95 percent would be paid by the Government itself, because the tax is a credit in computing the normal and excess-profits taxes.

Let us take another example. Those employers, however, who have no contracts, and who are barely breaking even, or who are running in the red, are called upon to pay the same tax, of 1-percent increase, on their total pay rolls, and they are called upon to pay a capital tax if they are actually running in the red.

So that if we regard the social-security tax as a means of getting additional revenue, we are committing ourselves to the most iniquitous and utterly indefensible form of taxation yet devised.

Therefore, Mr. President, for 3 years already this increase has been frozen, and we are still traveling along with the 1-percent initial tax upon employer and employee.

It is a well known fact also at this moment that many of the employees who are in the covered industries are in the so-called white-collar group. Their deductions for one cause or another—taxes, purchases of Federal bonds, and the like—have been estimated to run from 6 to 12 percent of their incomes. To take another 1 percent out of the white-collar class in America at this time is without the slightest justification, so far as the Federal revenue is concerned, and so far as any remote or indirect effect upon inflationary or deflationary forces is concerned.

In other words, Mr. President, the social-security tax—and I am sure those who have for a long time advocated our present social-security system will agree—should be levied only for the purpose of maintaining the integrity of the reserve fund.

The freezing of this tax will not in any sense affect the old-age benefit payments, or any payments to the aged and others under our social-security system who are taken care of by direct appropriations out of the Treasury. If the tax automatically doubles beginning January 1 it will not increase the benefit of a single beneficiary now under the social-security system. In other words, if the tax is permitted to go into effect, it can only increase the amount of the reserve.

Mr. President, the Social Security Board has advised with us regarding this matter, and I personally had hoped we might avoid a freezing of the entire automatic increase, but during the conversations I have had I have been assured that for some 20 years at least the present reserve, plus the annual tax, even at the present rate, would be able to take care of the system, and meet all the obligations under the system.

Therefore, Mr. President, I feel that the House of Representatives was justified in again freezing the tax, and that the Finance Committee was likewise justified in concluding that the tax should be frozen at the present rate of 1 percent.

The bill is therefore before the Senate. I do not care to debate the matter at any great length, because it has been discussed in this body on three previous occasions.

Mr. WAGNER. Mr. President, I wish to express my opposition to the pending bill, and to state as briefly and as simply as I can, the reasons why in my opinion the Senate should not vote to freeze the social-security contributions at the present rate of 1 percent.

Millions of our men and women are today serving in the armed forces of their country. In speaking against the proposed freeze of social-security contributions, I believe that I am expressing the wishes not only of the vast majority of Americans on the home front, but also of those fighting men and women of our armed forces who, when they return home, are entitled to every possible security, including social security.

REPEATED TAMPERING WITH CONTRIBUTION RATES MAY DESTROY PUBLIC CONFIDENCE IN THE INSURANCE SYSTEM

As one who sponsored the original Social Security Act in 1935, I feel it is my duty to warn Senators that a continued freeze of the contributions may seriously impair the financial soundness of our contributory system of social insurance and vitiate the whole idea of contributory social insurance. I believe that the people of America—and the Members of Congress—want the contributory social-insurance system and have no desire to jeopardize it. That is my opinion. But constant tampering by Congress with the premium rates is bound to destroy public confidence in the stability and security of the insurance system.

I am opposed to tampering with the old-age and survivors' insurance contributions because each time we depart from the original schedule of contributions we introduce the evils of uncertainty and confusion into a program which should be definite and clear. An essential value of the old-age and survivors' insurance system is the certainty and security that are embodied in any insurance system. Constant tampering with the contribution rates a few weeks before a new rate is scheduled to go into effect confuses the employers and workers who contribute to the program, and alarms all who look to it for security in their old age.

SCOPE OF INSURANCE SYSTEM

At this time I believe it will be helpful to state some of the most important facts about the insurance system. Even apart from the pending question of the freeze, Senators will be interested, I am sure, in a brief summary of how the insurance system operates, especially since we must soon consider the larger question of broadening the coverage of the system, extending the types of benefits provided, and liberalizing the benefit payments. This will, of course, involve an increase in the contribution rates. Five years have passed since the Senate last reviewed the basic elements of social security—much too long a delay, in my estimation.

The Federal old-age and survivors insurance benefits are only one part of the Social Security Act. The insurance system is composed of two sections—the insurance benefits provided in title II of the Social Security Act and the insurance premiums embodied in the Internal Revenue Code. The Social Security Board administers the insurance benefits. The Collector of Internal Revenue, under the Secretary of the Treasury, collects the insurance premiums.

This insurance program, therefore, is exclusively operated by the Federal Government. I should like to point out that the costs of administering the whole program come out of the insurance premiums paid by employers and employees. The Federal Government does not contribute from general revenues any part of the cost. The total administrative costs of the insurance program are only 2 percent of the premiums collected—a magnificent record.

The insurance system at the present time covers most employees in commerce and industry. It should not be confused with old-age assistance or relief which is administered by the States with the financial aid of the Federal Government through grants-in-aid under title I of the Social Security Act.

Under the insurance system, employees and employers contribute into a joint fund out of which the benefits are paid.

These insurance benefits are paid as a matter of right to persons who have qualified on the basis of their earnings; no question is raised as to what other income or resources a person may have. The purpose of this system, into which 43,000,000 persons last year paid insurance premiums, is to assure every individual that he will receive the benefits for which he has paid when he reaches retirement age, and that his widow and children will receive survivors' benefits if he dies.

MANY PERSONS EXCLUDED FROM INSURANCE SYSTEM

Although 43,000,000 persons paid premiums under the insurance system last year, many of these individuals only contributed for short periods of time while they were working in covered industries. Some 20,000,000 persons who are regularly employed in jobs not covered by the insurance system, nevertheless come under the insurance plan when they work from time to time in covered occupations. Farmers, farm hands, domestic employees, self-employed businessmen and doctors, nurses, lawyers, architects, accountants, and dentists in private practice are all excluded. So are employees in such nonprofit institutions as hospitals, charitable and religious organizations, community chests and private foundations. So are public employees and many other smaller groups.

Many of these groups have appealed to the Congress to be covered under the insurance system. The Social Security Board has recommended that they be covered and stated that the administrative problems involved in this extension of coverage have been worked out. Both major political parties have gone on record in favor of extension of coverage. Under these circumstances, I am confident that the distinguished chairman of the Finance Committee will hold hearings next year on social security with a view to the enactment of needed legislation on the subject.

TYPES OF INSURANCE BENEFITS

Three general types of benefits are provided under the insurance system:

First. Old-age benefits—beginning at age 65—to persons who retire. Additional payments are made on behalf of an aged individual's wife if she is also 65 years of age or over.

Second. Survivors' insurance benefits to the widow, orphans, or dependent parents of deceased persons.

Third. Lump-sum burial benefits to reimburse funeral expenses.

OLD-AGE BENEFITS

The old-age insurance benefits now average about $24 per month for the country as a whole. In those cases where the insured person has a wife 65 years of age and over, the payments average $37 per month. These payments are far too low and they should be increased. When the matter of the amount of these payments comes before the Senate, I believe we will increase them. That is only one of the many reasons why I am opposed to freezing the contributions at their present rates. I know we are going to need every cent we can get to pay adequate benefits to the aged.

SURVIVORS' INSURANCE BENEFITS

Not many people realize that monthly life-insurance benefits are payable to the survivors of insured persons who die. In many cases the survivors' benefits now being paid are equal to $10,000 to $15,000 of face value of a life-insurance policy. The total value of this life-insurance protection for the millions of persons covered under the existing law exceeds $50,000,000,000. That is more than the life insurance in force by any single private insurance company in the country—and equal to about one-third of all private life insurance in the United States. We are not only talking about old-age insurance in this question of the freeze—we are also concerned with the life insurance benefits under the social-security law—$50,000,000,000 of life insurance.

The average life-insurance payments to a widow with two children is about $47 a month. I do not think this amount is sufficient for a widow who must raise two small children and I am confident that we will increase this amount when we consider social-security benefits next year. That is another reason why I am opposed to the freeze now.

NUMBER RECEIVING INSURANCE BENEFITS

A major characteristic of the old-age and survivors' insurance program which in my opinion will make an increase in the contribution rates inevitable is the steady upward trend in costs which will continue for half a century or more. That such a large increase will occur has been disputed by no one. Today, 1,000,000 persons are drawing insurance benefits, but social-security actuaries estimate that within 15 years, this number will have risen to over 3,000,000; and by 1980, there may be 9,000,000 persons receiving benefits. This increase in the number of persons receiving benefits, together with a gradual increase in the average amount of the benefits, will cause the dollar costs of the system to increase by as much as 20 to 25 times over what they were in 1943.

CONTRIBUTION RATES

Today covered workers and their employers are each paying the very low insurance premium of 1 percent of wages—a total of 2 percent. That is far less than the actuarial value of the benefits. It is far less than the true cost of the old-age and survivors' insurance benefits provided under the existing law.

What is the reason for such low rates? Is it that the framers of the original act were not up on their arithmetic? Did they think that a contribution rate of 1 percent was sufficient to keep a contributory system of social security on a going basis?

The premiums today are low because in 1935, when the Social Security Act was passed, this country was just emerging from a depression. Like many others, I felt in sponsoring the social-security law that it was not desirable to levy at once the full amount that was needed. The law was new. Workers and employers needed time to adjust themselves to the payments. It was therefore important to provide for a gradual step-up in the rates. This is exactly what Congress provided.

It enacted in the law the principle of a gradual step-up. The contribution rate was to start at 1 percent, go to 1½ percent in 1940, to 2 percent in 1943, 2½ percent in 1946, and eventually to 3 percent in 1949.

We all know that this plan of a gradual increase in the contribution rates has not been followed.

In 1939 and again in 1942 and 1943, Congress put off the increase in contributions. In my opinion, there was no good reason for failing to increase the rates then. We were no longer in a depression; most employers could have absorbed a contribution increase. Each time the question came up some progressive newspapers and businessmen supported the increase and opposed the freeze. All organized labor opposed the freeze and supported the increase.

On preceding occasions the distinguished senior Senator from Michigan [Mr. VANDENBERG] has led the campaign to stop the scheduled increase in the social-security contribution rate. He recently stated that he has done this on behalf of 48,000,000 workers and their employers. A few days ago he stated with pride that the failure of the Congress to raise the tax as scheduled has resulted in large savings to the 48,000,000 workers and the employers involved. I should like to point out that the workers of this country did not ask for that kind of saving; and I doubt that they are grateful to the able Senator from Michigan for his part in relieving them of an obligation which they are glad to assume. In fact, it is perfectly clear that they are able and willing to pay the scheduled contributions. Labor knows that failure to finance the program soundly will impair the social-security system in the future. We must not take that risk.

As for employers, most of them know that the additional premium will cost them little, since they are permitted to deduct these payments from gross income in computing their normal taxes as well as their excess-profits taxes.

The senior Senator from Michigan has stated that he sees no reason why the social-security rates should be increased. The payment of existing old-age benefits does not require the increase, he

says. He states further that the social-security balance sheet denies any such need for years to come.

Now, it is perfectly true that at present the collections are far in excess of the benefits that are being paid out. But the conclusion I draw from this fact differs sharply from that of the Senator from Michigan. The excess of contributions over benefits does not mean that there is no need to increase the contribution. We are as yet at the very beginning of our social-security program. It is to be expected that the income would now greatly exceed the outgo. But our social-security program is committed to pay, over the years, benefits which will lead to steadily increasing cost for a long period of time.

Most workers in this country are still under retirement age. They are building up their rights now to their future benefits. But as time goes on we must expect that a great many more workers will have attained both retirement age and insured status under which they will be eligible for benefits. The costs of the system must increase greatly as the years go on, and actuaries estimate that the annual expenditure for benefits will increase to as much as 20 to 25 times the amount spent in 1943.

ADDITIONAL RETIREMENTS AFTER THE WAR

There is, moreover, one factor which operates to keep down the present costs. That is the factor of wartime-employment opportunities. At present some 700,000 workers who have already reached retirement age and are eligible for benefits are not drawing benefits. They are working because they have the chance to work. Some of these had already retired and begun to draw benefits; they have given up their benefits in order to earn wages. This situation we cannot, of course, expect to continue. We must expect that these aged workers will retire as soon as employment opportunities decrease. They will draw benefits, and in many cases their wives will also draw benefits. Whenever war activity slows down and young men return to industry, we must expect a sharp and sudden rise in benefit costs.

VALUE OF BENEFITS PROVIDED

To me, it would seem reasonable that all workers pay now and during the years they are employed hereafter a premium rate which more closely approximates the average annual cost of the protection they are getting. That is certainly not the case now. Today young workers who are in covered employment are by their contributions paying for a part—but only a part—of their own old-age and survivors insurance protection. Those who are within 10 or 15 years of retirement age are paying for only a very small part of the insurance protection they get.

One way of checking on values and costs is to compare the old-age-insurance contributions with the benefits. A worker who contributes for 10 years on the basis of an average wage of $150 a month could purchase with his contributions an annuity of only 94 cents a month from a private insurance company. His social-insurance benefit, however, would be $33 a month, with an additional benefit of $16.50 a month for his wife, if she were aged 65 or over—a total of $49.50 a month. It is, of course, right that the social-insurance program should take account of the past years during which older workers have made their contribution to society. It should pay reasonable benefits to persons who have had an opportunity to contribute to the social-insurance system for a short time only. But we do not want to ask the workers who are now young to shoulder in future too great a share of these benefits.

FUTURE COSTS OF INSURANCE BENEFITS

Part of the confusion results from the fact that no one can predict exactly what the cost of the retirement and survivor benefits provided under the act will be. There are many variable factors, such as mortality, life expectancy, and general economic conditions. Ten years from now, or 20 years or 30, will most men choose to retire and start drawing benefits at 65, or will they want—and have the opportunity—to keep on working until they are 67 or 68 years of age? Will we, through the progress of medical science and the adoption of a national health program which makes medical care widely available, succeed in reducing the death rate? Will the expected life span increase, thus adding to the number of years during which old-age benefits are payable? I could mention many other factors, but I think these illustrate the nature of the problem. Actuaries who have studied the question at great length estimate that the average cost of the benefits now provided is likely to be somewhere between 5 and 7 percent. None thinks it can possibly be less than 4 percent.

If the cost proves to be only 4 percent on the average, then workers and employers today are paying for only half the benefit rights which are being built up on the basis of today's wages. That amount will have to be made up by someone in the future if the promised benefits are to be paid. The only other alternative would be for some future Congress to cut the benefits. I do not want that possibility ever to occur. That is one reason why I believe employees and employers should pay higher premiums now, when they can afford it. Adequate payments now are a strong guaranty of full payment of benefits in the future.

GOVERNMENT SUBSIDY LOGICALLY MEANS COMPLETE COVERAGE

Of course, we could go on having workers and their employers contribute at rates less than the cost of the old-age and survivors insurance benefits provided under the existing Social Security Act. We could do that, but only if part of the costs were to be financed out of general revenues raised by progressive taxation.

I, myself, would not be opposed to having a part of the costs so financed. It would, it seems to me, be wholly appropriate and desirable for part of the costs to be financed out of general revenues if all of the population were covered by social insurance—as they should be.

At present, as we all know, that is not so. Since the old age and survivors insurance system operates only for workers in private industry and commerce, some 20,000,000 jobs are excluded. Our three to four million agricultural laborers and our 2,500,000 domestic servants are outside the system. The self-employed are excluded—among them some 6,000,000 farm owners and operators. One million employees of nonprofit charitable and other institutions are not covered. Public employees are excluded, and there are other groups.

If all those groups were covered by old-age and survivors insurance, I should say, "Very well and good; let part of the cost be paid as a subsidy out of general revenues." Despite the fact that many of those who are supporting the freeze state that they favor such a subsidy, I predict that if we continue a limited coverage system the time will come when it will be argued that the excluded groups should not be taxed to provide general revenue that is to be used for the payment of benefits under a system from which they themselves are excluded. In fact, the argument is being made already. That is why I oppose the tax freeze. We ought to settle the question of policy involved in financing the insurance system before we tinker again with the contribution rates.

People just naturally do not like being taxed for benefits from which they themselves are excluded. I have received hundreds of letters from the self-employed, and so have many other Senators. "Why should we help pay for benefits for our employees when we ourselves are excluded?" these people say. "What kind of justice is there in that?" Many of them point to their own great need of old-age and survivors protection, and offer to pay on their own account both the employer and the employee premiums in order to get that protection.

Other Senators also receive many letters from workers who sometimes work in private industry or commerce, but who do not stay under the system long enough to get insured. Some ask to be permitted to continue under the system, even though they are now working in uncovered employment. Like the employers I just mentioned, they offer to pay both the employer and the employee fees.

People want justice in matters of taxation, and my experience has been that they get more impatient about unjust taxes than about many other injustices. It is human nature to want what you pay for. It is also human nature not to want to pay for benefits that go to somebody else.

There would be no injustice in having some of the costs of social insurance paid out of general revenue if all workers were covered by social insurance. But even then I must admit that many people still would not want to see a major part so financed. Most people want to see a reasonable part of the total cost of insurance benefits paid for by direct contributions from insured workers and

their employers. If we retain a contributory system, we preserve the principle that benefits are paid as a matter of right when they fall due.

It is important that the social-insurance system be soundly and securely financed, if it is to bring real security to employees and their families and to our whole economy. I am for preserving the insurance system and strengthening it. I want to see the coverage broadened so we can justify a Government contribution and so future Congresses will adhere to that decision because it is equitable. We cannot properly give unsound reasons here on the floor of the Senate to justify freezing the contributions, and thereby promise a future Government subsidy, if it is doubtful whether future Congresses will believe in the wisdom or equity of our decisions. Since this is an insurance program to operate for years and years, I urge the Senate to consider this question seriously. If Senators are in favor of a Government subsidy to the insurance system, that is fine; but I think that decision logically means that they should immediately support the program for complete coverage of all persons under the insurance plan. That is the only logical and equitable position.

"MORGENTHAU RULE" NOT BINDING

If this bill is enacted into law, 1945 will represent the ninth year during which the 1-percent rates of contribution will have been in effect. During this time, a reserve of nearly $6,000,000,000 has been set up for the future payment of benefits. Those who support the freeze maintain that this reserve, together with expected additions at the 1-percent rate, will be adequate to assure the future payment of benefits. Let me examine some of the more specific arguments used to support this contention. I heard the Senator from Georgia [Mr. GEORGE] make that contention a short time ago.

One argument in support of the freeze is that it is required by the so-called Morgenthau rule embodied in section 201 (b) (3) of the Social Security Act that the reserve fund not exceed three times expected annual disbursements. This so-called rule which is advanced as a primary reason for the freeze is not, in fact, a binding rule at all, and the original suggestion of the Secretary of the Treasury frequently has been grossly twisted and distorted into a meaning which it was never intended to have. A distorted interpretation of a suggestion made by the Secretary of the Treasury in 1939 thus is used to support the freeze.

There is ample evidence in the 1939 testimony before congressional committees that the so-called three-times rule was intended to be applied only in the later years of the system after benefit payments were well along in their long-term rise; and that the suggestion was not intended to be applicable to the very early years of the system. Specifically, the suggestion of the Secretary of the Treasury was in terms of an "eventual" reserve. "Eventual" certainly must have had reference to a period some time after 1949 when the maximum 3-percent rates are scheduled to go into effect. To apply this long-term rule as a basis for financial policy in the very early years of the system, in my opinion, is to make use of a rule which was never intended to be used in that way.

The language now in the Social Security Act with respect to the three-times rule in no way binds Congress to follow this rule automatically. Some persons have endeavored to spread the impression that Congress settled the basic financial policy regarding reserves in 1939 by incorporating in the law a three-times rule, which more or less automatically governs the size of the reserve. All that the provision now in the law does is to specify the occasions under which the board of trustees of the trust fund shall make special reports to Congress in addition to its regular annual report. Since the provision in no way suggests what action Congress shall take at that time, it is a violent distortion of the exact language of the statute to say that a new congressional policy as to the maximum size of the reserve was established in 1939. The actual facts are that Congress establishes a new policy for 1 year in each successive freeze, but instead of justifying such new policy on its merits, refers to a strained interpretation of the statute itself, and of the recommendation made to Congress by the Secretary of the Treasury. In short, the proposed freezing of rates for 1945 cannot be justified by reference to the so-called Morgenthau rule.

FUTURE COSTS TO GENERAL TAXPAYER

Mr. President, a second major argument frequently advanced by those favoring freezing of the taxes is that payment of higher rates of contributions now will not diminish the burden of the progress in later years since a second set of taxes will have to be paid subsequently to finance interest on and amortization of investments held by the old-age trust fund. This argument was given a prominent place in the report of the Senate Finance Committee in January of this year on the freezing of the 1944 rates and also by the senior Senator from Michigan during the debate on that bill. The statement was made at that time that it makes no difference to the taxpayer whether $500,000,000 is appropriated eventually to pay interest on the investments of a reserve fund, or whether $1,500,000,000 is directly appropriated as a Government subsidy to the old-age and survivors insurance system.

This second argument advanced in favor of the freeze is no more accurate than the first argument, and it is amazing to see the extent to which the case for a freezing of rates is rested on this very elementary fiscal error.

So long as there is a public debt it seems likely that we shall have a debt for many years to come, and we shall have very large annual interest charges to pay. Except for possible slight differences in rates, the amount of such interest will be the same whether it is paid entirely to private holders of the debt or whether a part of it is paid to the trust fund on Government obligations held by the fund. Since the interest would be paid in any case, it is not accurate to attribute interest paid on old-age investments as a cost of old-age insurance. Similarly, if no reserve were accumulated under the old-age insurance system and instead a Government subsidy were introduced in later years, general taxpayers would need to raise not only the same amount of interest as they would have had to have raised with a reserve, but in addition would have to pay taxes to finance the Government subsidy.

I have taken some time to discuss this very elementary point, since it has occupied such an important role in the arguments for the freezing of the tax. The enactment of legislation based on such an erroneous interpretation of the facts would be a tragic matter indeed. It should be noted that Mr. M. A. Linton, president of the Provident Mutual Life Insurance Co., who advocates freezing the tax for other reasons, agreed in testifying before the Ways and Means Committee that the amount of taxes to be raised in the future, if there is no reserve fund, will be twice as much as if there is a reserve fund.

PRESENT ECONOMIC CONDITIONS FAVOR INCREASED PREMIUMS

A third argument advanced for freezing the rates for 1945 is that the present is a poor time to raise taxes in view of existing high tax burdens and reconversion problems which may soon confront the Nation. This type of argument has been used almost continuously since 1938 or 1939 when discussions of increasing tax rates began. The exact form of the argument, however, differs, depending upon the economic conditions prevailing at the time. The version of the argument used 4 or 5 years ago was that depressed conditions and unemployment made it inexpedient and deflationary to permit pay-roll-tax rates to increase. During the war when pay rolls and profits have risen to unprecedented levels, this previous argument has been subordinated if not forgotten, and now the argument is that the present is a poor time because of current tax burdens and what may happen 1 or 2 years from now. Surely if depressed conditions were an important consideration in the freezing of rates 3 or 5 years ago, then the present is a very excellent time to increase the rates. Employment and earnings are high and the present would be a most propitious time for workers to absorb an increase in rates. This is confirmed by the actions of both the American Federation of Labor and the Congress of Industrial Organizations in urging an increase in rates. So far as employers are concerned, the war has raised the profits of most of them to a high level and, in addition, the increased 2-percent pay-roll tax they would pay would be offset in large part by the reduction in the excess-profits taxes which they would otherwise be required to pay.

Much effort has been devoted to spreading the impression that the purpose of increasing the pay-roll-tax rates is an ulterior one of controlling inflation

and financing the war. This attack on the increase in rates overlooks the fact, for one thing, that advocates of keeping pay-roll tax rates low advanced economic arguments a few years ago which might have been subjected to the same false criticism, namely, that pay-roll-tax legislation was being influenced by questions other than those inherent in the progress itself.

It has been said repeatedly, and I shall reiterate, that the increase in tax rates is necessary and desirable solely for purposes of the program alone. Whatever assistance the increase in rates may give to inflation control or the financing of the war is an incidental byproduct of the increase and not a primary objective. It is, of course, most fortunate that these incidental byproducts of raising the rates are consistent with the general economic conditions existing at the present. In brief, the increase in rates necessitated by the needs of the old-age program alone would be timely in relation to prevailing economic and fiscal problems.

INCREASED LIABILITIES OF INSURANCE SYSTEM DUE TO THE WAR

I have now discussed three of the main arguments which are made for freezing the rates for 1945 and have demonstrated their weaknesses. I shall now discuss a fourth justification often advanced for maintaining rates at the 1-percent level. Much is made of the fact that collections at the 1-percent rate have been much higher than was estimated in 1939, and that the reserve which has already been accumulated is also larger than originally estimated. It is true that the entrance of the Nation into war, which was unforeseen in 1939, has tremendously increased contributions collected at the 1-percent rate just as it has led to unprecedented increases in most economic indexes.

The basic fallacy of the argument that this fact justifies freezing of rates is that it completely ignores the parallel effects of the war on the benefit liability of the system. Benefits are payable under the old age and survivors insurance program on the basis of wages earned in covered employment. The war has resulted in many more persons earning such wages than had been anticipated, and the war has increased the average amount of wages recorded to the credit of individual workers. In 1938—the last full year preceding enactment of the amendments of 1939—less than 32,000,000 persons earned wages in covered employment during the year. In contrast, 48,000,000 persons earned such wages in 1943, thus exceeding by more than 16,000,000 the number of persons who earned wages in covered employment in 1939. It is very doubtful if this increase of more than 50 percent would have occurred if there had been no war. It obviously results in a tremendous increase in the liability of the system for the payment of benefits. Average annual taxable wages per covered worker similarly increased from $833 in 1938 to $1,300 in 1943. Proponents of the tax freeze lay great stress on the wartime growth in contributions, but pay little or no attention to the effect of the war upon the liabilities of the system. This is a most short-sighted and risky financial procedure.

DOUBLE TAXATION ARGUMENT FALLACIOUS

I must take one moment to discuss one of the most persistently repeated and false arguments used by those who oppose the planned increase in the contribution rate. That is the question of what happens to the money which is put aside for social insurance. The one point on which there is no disagreement is that the cash is invested exclusively in Government bonds. Most of us would consider that an absolutely safe investment for ourselves or for any private insurance company. What happens next? The Treasury uses the proceeds of the bonds just as it uses money you or I pay directly for war bonds we buy. And it pays interest to the Social Insurance Trust Fund and it will eventually repay the principal as it would to any other investor. It is clear that the social-insurance fund has made a wise investment and the impartial advisory council of 1939 representing the employers, employees, and the public, publicly confirmed this conclusion.

But despite this fact various newspapers have spread the story around that the taxpayer must pay twice for social security because in addition to paying social security contributions each person must help to pay the taxes which the Treasury needs to redeem those bonds held by the insurance system. This charge that the taxpayer must pay twice for social security is absolutely and ridiculously false. It is used to confuse people on the whole social security problem. Social-security experts have testified before congressional committees again and again and stated that these charges are untrue. But the lie continues to be spread.

NEWSPAPERS WHICH OPPOSE FREEZE

As at the other times when the question of increasing the social-security contribution rates was raised, a number of progressive newspapers have come out and opposed the freeze—this time more of them than before. The Washington Post, the St. Louis Post-Dispatch, the Milwaukee Journal, the Nashville Tennesseean, the Chicago Sun, the Hartford Times, the St. Petersburg (Fla.) Times, the Wall Street Journal, and the New York Journal of Commerce are all in favor of an increase in the rate.

I ask unanimous consent that five of these editorials be included in the RECORD as a part of my remarks.

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

[From the Milwaukee (Wis.) Journal of November 15, 1944]

TWO PERCENT FOR SOCIAL SECURITY

On January 1, unless Congress takes positive action to the contrary, the social-security-tax rate will advance from the present 1 percent to 2 percent. Senator VANDENBERG, who has three times led the successful fight to stay operation of the provision for automatic increase, announces that he will again seek to keep the rate at the 1 percent level for both employers and employees.

This time Congress should refuse to go along with the Michigan Senator. It is time that those who are building up rights under the Social Security Act begin to meet in larger measure the costs which are accruing.

The Social Security Act set a tax rate of 1 percent for the years 1937, 1938, and 1939. For 1940, 1941, and 1942, the rate was to have been 1½ percent. It was to have risen to 2 percent in 1943 and to have remained there for 1944 and 1945.

The fact that it has remained at 1 percent all these years means that the income from the tax, though far in excess of needs so far, has not begun to keep pace with actuarial requirements. These requirements not only demand that the rate eventually go to 3 percent but that, even then, the general taxpayer must contribute a substantial amount through interest payments on the so-called social-security "fund."

If the law had been allowed to take its course, employers and employees by now would have paid altogether 2 percent of pay rolls for 3 years, 3 percent of pay rolls for another 3 years and 4 percent of pay rolls for the last 2 years. Instead of that, they have paid 2 percent of pay rolls for 8 years. The difference is as between 23 and 16. If the old rate is continued another year, it will be as between 27 and 18.

This just cannot go on. The rate for 1946 is scheduled to be 2½ percent. Plain common sense would indicate that the step to 2 percent should be taken now.

We have never believed in the desirability of the fictional fund of interest-bearing Government I O U's which now represent the Government's responsibility for its social-security obligations, but we do believe that employers and employees should each year pay into the Treasury as nearly as possible the cost of the benefits which are being built up.

If that cost will exceed 6 percent of pay rolls, there should be no further delay in taking steps to get the rate up to the 3 percent plus 3 percent maximum now provided in the law and now scheduled to be reached in 1949.

[From the Chicago Sun of November 20, 1944]

FINANCING SOCIAL SECURITY

Congress is about to engage in its annual struggle over freezing the social-security tax at 1 percent. The law calls for an automatic jump to 2 percent, but twice now Congress has stayed execution. Year-by-year improvisations being no substitute for a sound program of social-security financing, the whole question should be reexamined.

There were strong reasons for letting the tax go up both in 1943 and 1944. The Nation then faced an inflationary situation, and the pay-roll deductions for security would have been mildly deflationary. When VE-day comes, however, increased taxes on low incomes may be unwise from a fiscal point of view, though the actuarial reasons for increasing the social-security contributions would remain. The point is that under present conditions we are in constant danger of freezing the tax when for fiscal reasons it should be increased, and increasing it when it should be frozen or even reduced.

Whatever principles may be ultimately adopted, they should be consistent. Perhaps we shall come in the end to a flexible system, under which pay-roll taxes are increased in years of high national income and reduced when wages and income fall off.

[From the New York Journal of Commerce of November 16, 1944]

THE PAY-ROLL-TAX RATE

Senator ARTHUR H. VANDENBERG has proposed that the Federal pay-roll tax for old-age pensions be frozen again at 1 percent for employers and employees, instead of rising to 2 percent on January 1 next as the statute now provides. He recognizes, however, that the social security tax rate should be deter-

mined in accordance with a long-range policy, rather than by annual acts of Congress as has been the case in the past 3 years.

During the war, the great increase in pay rolls has raised tax collections far above original estimates. As a result, the old age and survivors insurance trust fund now amounts to approximately $6,000,000,000. This reserve is ample to pay benefits for some years to come, even though the 1 percent tax rate is continued.

Even with a high level of employment after the war, rising benefit payments over a period of years will result eventually in reserves becoming inadequate during the decade of the fifties. When that occurs, the old age and survivors insurance trust fund would have to turn to the Federal Treasury to supplement its own resources. Any consequent increase in taxes would have to be borne chiefly by business, in all probability. A high pay-roll tax contributed equally by employees and employers, on the other hand, would spread the burden more equally.

The Federal old-age benefit system should be kept on a self-supporting basis. A policy of freezing pay-roll taxes which will involve the Federal Government eventually in the need for making substantial contributions to the old age and survivors trust fund would not be sound. Senator VANDENBERG'S suggestion for a thorough reconsideration of the whole Federal old-age pension system is thus quite timely, and should be adopted regardless of whether the 1 percent pay-roll tax rate is frozen for another year.

[From Washington Post of November 17, 1944]

PAY-ROLL TAX

Senator VANDENBERG has introduced a bill calling for a fourth freezing of social security pay-roll taxes at existing levels. We heartily endorse his suggestion that this whole pay-roll question should be referred for study and recommendation to the joint congressional Committee on Internal Revenue with an advisory committee of outside experts. However, we doubt the desirability of again postponing the projected increase in pay-roll levies that is to come into effect January 1.

Senator VANDENBERG says that the Social Security Act apparently looks to limiting the old-age insurance reserve to not more than three times the highest prospective annual benefits in the ensuing 5 years, in accordance with the so-called Morgenthau rule. On that basis it is estimated that the old-age reserve fund is already much larger than it need be. However, these computations fail to take account of the long-run cost of the system. For example, Chairman Altmeyer of the Social Security Board believes that ultimately the disbursements on old-age insurance account may amount to from 15 to 20 times present annual disbursements, owing to sharp increases in costs resulting from the growing percentage of the aged in the population and increasing amounts of benefits payable per person. Consequently the levies currently exacted from employers and employees fall far short of the amounts needed to make the old age insurance system self-sustaining; i. e., to put it in position to meet its obligations to the insured without calling upon the Government for contributions at sometime in the future. Even with a 2 percent pay-roll levy, the long-run costs of the present system will not be covered, if Chairman Altmeyer's estimates are correct. That being the case, the arguments in favor of another postponement of the impending increases seem extremely weak.

Mr. WAGNER. I wish to read a paragraph from the editorial of the Milwaukee Journal, which is included among those I have asked to have printed in the RECORD. The portion to which I refer reads as follows:

On January 1, unless Congress takes positive action to the contrary, the social-security tax rate will advance from the present 1 percent to 2 percent. Senator VANDENBERG, who has three times led the successful fight to stay operation of the provision for automatic increase, announces that he will again seek to keep the rate at the 1-percent level for both employers and employees. This time Congress should refuse to go along with the Michigan Senator. It is time that those who are building up rights under the Social Security Act begin to meet in larger measures the costs which are accruing.

LABOR OPPOSES FREEZE

What exactly does organized labor say? Organized labor strongly favors an increase. The workers of this country place a high value on a sound and stable social-security system; they are willing to pay their fair share of its cost. On this point, there is unanimous agreement in the ranks of labor.

I shall read briefly from the statement issued by the American Federation of Labor, and from one issued by the Congress of Industrial Organizations. I read the following paragraph from a letter sent to all Members of the United States House of Representatives by William Green, president of the American Federation of Labor:

Being informed that H. R. 5564, a bill to fix the rate of tax under the Federal Insurance Contributions Act on employer and employee for the calendar year 1945, has been reported out of committee, I wish to advise that the American Federation of Labor is definitely opposed to its enactment.

That is, they are opposed to the increase.

In a long letter issued by the Congress of Industrial Organizations, they state that they also are opposed to the proposed freeze.

PRESIDENT ROOSEVELT OPPOSES FREEZE

Two years ago the President made known his reasons for opposing the freeze for 1943. The reasons which the President gave then are, in my opinion, even more valid now. This is what the President said:

This amendment, freezing the contributions, is causing considerable concern to many persons insured under the old-age and survivors insurance system. The financial obligations which will have to be met in paying benefits amply justify the increase in rates. A failure to allow the scheduled increase in rates to take place under present favorable circumstances would cause a real and justifiable fear that adequate funds will not be accumulated to meet the heavy obligations of the future and that the claims for benefits accruing under the present law may be jeopardized.

In 1939, in a period of unemployment, we departed temporarily from the original schedule of contributions, with the understanding that the original schedule would be resumed on January 1, 1943. There is certainly no sound reason for departing again under present circumstances. Both employment and the income from which contributions are made are at a very high point—the highest since the inauguration of the system. In fact, the volume of purchasing power is so great that it threatens the stability of the cost of living. * * *

This is the time to strengthen, not to weaken, the social-security system. It is time now to prepare for the security of workers in the post-war years. * * *

This is one case in which social and fiscal objectives, war and post-war aims are in full accord. Expanded social security, together with other fiscal measures, would set up a bulwark of economic security for the people now and after the war and at the same time would provide anti-inflationary sources for financing the war.

In January of this year the President said again:

I earnestly urge the Congress to retain at this time the scheduled increase in rates. High employment and low rates of retirement during the war have added to social-insurance reserves. However, liabilities for future benefits based on the increased wartime employment and wages have risen concurrently. The increase in contributions provided by existing law should now become effective so that contributions provided will be more nearly in accord with the value of the insurance provided and so that reserves may be built up to aid in financing future benefit payments.

In February of this year the President repeated the same views. He said:

The elimination of automatic increases provided in the social-security law comes at a time when industry and labor are best able to adjust themselves to such increases. These automatic increases are required to meet the claims that are being built up against the social-security fund. Such a postponement does not seem wise.

CONGRESS SHOULD HOLD HEARINGS ON SOCIAL SECURITY

I am glad that we have had occasion to discuss this matter of the social-security tax rate at this time. I am glad because this discussion should precipitate another—a reconsideration of our entire social-security system. The degree of interest the press has shown in the question of the social-security tax rate reflects, I believe, a deep interest on the part of the people of this country in an extended and expanded system of social security.

The senior Senator from Michigan and I are in agreement on this. It is high time to reexamine the entire social-security situation.

WAGNER-MURRAY-DINGELL BILL

As Senators know, over a year and a half ago I introduced in the Senate a bill known as the Wagner-Murray-Dingell bill. The bill provides for a truly comprehensive system of social security. The principal features of the measure are old-age and survivors insurance, permanent disability insurance, unemployment insurance, temporary disability insurance, and insurance against the costs of medical and hospital care.

Under this bill the provisions of the Federal old-age and survivors insurance are extended and liberalized. The provision covers the millions now excluded from the program. It includes permanent disability benefits for the insured person, with additional payments for his dependent wife, dependent children, or dependent parents. It increases the benefits, depending on the amount of the insured person's wages. It increases the minimum and the maximum monthly

benefits, and reduces the age of eligibility for women to receive benefit from 65 to 60.

The bill further provides for a Federal unemployment and temporary disability insurance system. Under this provision temporarily disabled workers would be eligible for benefits equal in amount to unemployment benefits. Moreover, benefits are to be increased and to be payable for a longer period of time than at present. Unemployment insurance and temporary disability coverage is to be extended to agricultural workers, domestic servants, and other groups.

Surely, as important as any of these provisions in the bill is the provision for a Federal system of medical and hospitalization insurance for all persons covered under old-age and survivors insurance and for their dependents.

Under this section each insured worker and his dependents would be entitled to services of a physician, and could choose any doctor he wished from among those in the community who had voluntarily agreed to go into the system. Each person would be entitled also, on the doctor's advice, to specialist, consultant, and laboratory service, including X-ray, appliances, eyeglasses, and the like, and necessary hospital care. Doctors would be left free to enter or remain out of the system, to accept or reject patients, and every qualified hospital would be eligible to participate.

The bill calls also for a long-deferred act of justice to those men and women who are now serving their country in the armed forces. It provides for the protection and extension of their social-security rights by giving them wage credits for the entire period of their military service, without deductions from their pay, the cost to be borne by the Federal Government out of general revenue.

I believe that the people of this country want a comprehensive social-security program—a really adequate social-security program. They do not want to wait indefinitely for it. They want it now, so that when the war ends social security may serve to absorb the shocks of readjustment to a peacetime economy. Those shocks cannot be avoided, but they can be minimized. We can forge an instrument to meet the shocks. In the difficult period that lies ahead, a comprehensive system of social security would be a stabilizing factor the importance of which cannot be overemphasized.

Mr. MURRAY. Mr. President, I am opposed this year, as I was last year, to the freezing of the old-age and survivors' insurance tax at the present rate of 1 percent each on employers and employees.

When the amendment to freeze the taxes was under consideration last year, I stated at some length on this floor my reasons for opposing what I regarded then, as I regard now, as irresponsible tinkering with the finances of the social-security system.

I am not going to repeat all that I said last year. Nothing that the proponents of the tax freeze have said since then has met the arguments which I advanced last year in opposition to the tax freeze. It is even more evident today than it was a year ago that the present contribution rates are inadequate to meet the obligations which the insurance system has undertaken. Every expert and every actuary who has studied the problem agrees that the long-run average cost of the benefits promised under the present law will be at least 4 percent of taxable pay rolls. Many would put the figure considerably higher—5 percent or even 6 or 7 percent. The desire of the workers of this country for a sound and stable contributory social insurance program has been, if possible, more strongly affirmed this year than ever before. In no uncertain terms, they have said they want a sound and stable financing for this program.

Mr. President, my honored and distinguished colleague the Senator from New York [Mr. WAGNER] has already made clear why all the real supporters of social security are opposed to the tax freeze. In the time available to me, I want briefly to examine the arguments advanced by the proponents of the freeze. I want to point out to this body how misleading some of those arguments are. I want to make clear how completely incapable of justifying the proposed action those arguments are.

For convenience, I address my remarks to a summary of the arguments which appeared in an editorial in the New York Times of December 5. This editorial is based on a statement by Mr. M. Albert Linton, the president of the Provident Mutual Life Insurance Co. of Philadelphia.

Last year the New York Times opposed the tax freeze and supported the scheduled increase in the tax rate to 2 percent on employers and employees, on the sound ground that this amount would be needed to meet the anticipated liabilities of the insurance system. None of the eight arguments cited in last Tuesday's editorial controverts that point.

What, then, are the eight arguments? Let me first dispose of two of them. They have nothing to do with the real issue we are discussing. These two must, therefore, be regarded as only red herrings, intended to distract attention from the real issues. These two arguments are stated as follows:

> Raising the social-security tax rate to meet war expenses would be unsound. It is dangerous to use these taxes for extraneous purposes.

And, secondly:

> Raising the social-security tax rate as an anti-inflationary measure would also be unsound.

Well, certainly, both those statements are true. But what is their significance? They intend to imply, of course, that social-security taxes are being misused, and that those of us—and the millions of workers who stand with us—who support the scheduled increase in contribution rates do so for ulterior purposes. That is an utterly false implication. The increase in contribution rates is being urged because it is necessary to the long-run stability of the social-insurance system, and for no other reason. The fact that we can move toward the desirable contribution level at this time without undesirable economic consequences is hardly an argument for refusing to take that step.

Of a similar character is another of the arguments which the New York Times regards as making a case for the tax freeze. Again, I quote:

> To increase social-security taxes unnecessarily would impose unjustified burdens on small business and white-collar workers. Big business would not feel the burden to the same extent, because so much of it would be shifted to the Treasury Department.

I hope my championship of small business has been sufficiently well known and consistent so that no one will doubt my motives when I characterize that argument as nothing but crocodile tears. The crux of the argument is in the words "to increase the * * * taxes unnecessarily" and "impose unjustified burdens."

Certainly, unnecessary taxes are unjustified whenever imposed. But the proposed tax increase is necessary to the sound and systematic long-term financing of the social-insurance system. Small business stands to gain as much as big business from a strong and sound social-insurance program. Small business is better able to absorb the tax increase under present conditions than it will be when reconversion gets under way or possibly afterward. So far as the white-collar workers are concerned, they—like other workers—are ready to pay their fair share of the costs of social security. Indeed, the only serious complaints I have heard from white-collar workers and small self-employed businessmen comes from those who are not covered, and the complaint is that they are not permitted to pay contributions. They may well ask who it is that presumes to speak for them and to offer them such false sympathy. Who is it, we might ask, that has been campaigning for the tax freeze? Who has been rousing chambers of commerce and employees to oppose the tax? Small businessmen? White-collar workers? Labor organizations? Nonsense! It is the representatives of certain big business.

Let me turn to another argument in the New York Times that should deeply concern every Member of Congress. The argument starts with the correct statement that ample funds are now available in the old-age and survivors insurance trust fund to meet all requirements for several years to come. What this statement neglects to state is the fact that as time goes on, more and more persons who reach age 65 will qualify for benefits, that most workers now covered by old-age and survivors insurance are still young, and that these young workers at present rates are not paying the full cost of their own future benefits. But it is the related argument to which I want to call particular attention:

> An increase in social-security taxes would increase the already large excess of income over outgo. * * * Especially if continued year after year, this situation would encourage raids on the fund either to be used (borrowed) for extraneous purposes or to

liberalize the benefit formula unwisely. It is unlikely that the actuaries' calculations of liabilities on what may happen in 20 or 30 years hence would deter the raiders.

Mr. President, I believe that represents a grossly unfair judgment on the integrity or the responsibility of the Congress of the United States. In view of the large public debt of the United States for the discernible future, and the legal requirements as to the investment of the insurance reserves, what kind of "raids" could be made on these funds? And as to liberalizing the benefit formula unwisely, I think all reasonable people will agree with me that the best possible protection is to require the beneficiaries of the insurance system to realize the full cost of the benefits by paying their fair share of the costs. The workers of America are ready and willing to do this. It is not they who are asking for a tax freeze. The A. F. of L., the C. I. O., and the railroad brotherhoods have been asking that the taxes should be permitted to step up according to the present law.

Those who favor a tax freeze are apparently more afraid of a small and justifiable immediate burden on employers than they are of however staggering a future burden on the Treasury.

Another argument for the tax freeze cited by the New York Times is this. When, a generation hence, the annual disbursements for old-age benefits exceed the 6-percent pay-roll tax eventually contemplated by the present law, the difference can be made up through a Government subsidy. One might ask how the rate is ever to get to the total 6 percent eventually contemplated by the present law if we continue to postpone any increases above the present total of 2 percent?

But the main issue has to do with the size of the Government subsidy which would be needed. The statement in the New York Times continues:

> Subsidies to the system of a reasonable amount are nothing to become alarmed about.

That is quite true, and I myself favor a reasonable Government contribution to the system when it has been expanded to cover all employments. But the subsidies which would be required if the people who oppose the step-up to a total of 4-percent contributions have their way year after year after year—such subsidies would not be reasonable. The subsidies might have to become so large as to undermine the contributory character of the insurance system. The need for such large annual subsidies would subject the insurance system to all the hazards and uncertainties of annual appropriations. The need for a Government subsidy of such proportions would lead to the constant danger that benefit rights might be reduced or withdrawn, and that instead of insurance we would have the dole.

Last year, when we were debating this same question, I offered and Congress adopted an amendment to the Social Security Act authorizing appropriations from general revenues. I felt that such a provision was absolutely necessary to make clear the intention of Congress to guarantee the promised benefits when it froze the tax rate. At the same time I urged that Congress give full and comprehensive attention during the succeeding months to the need for expanding and strengthening the entire social-security program.

In the year that has elapsed Congress has given no attention whatsoever to these matters. Mere talk about an eventual subsidy—even statutory authorization for appropriations—cannot indefinitely take the place of action. The people of this country will have a right to question the intent of Congress to support social security if its only action is an annual postponement of the scheduled increase in contributions necessary to pay at least the minimum estimated cost.

Therefore, I am especially interested in the two additional reasons for the tax freeze cited by the New York Times editorial. One is as follows:

> The provision in the present law that the current tax yield should be approximately three times the current outgo * * * is at variance with the schedule of the tax rates in the law.

I say without qualification that there is no such provision in the present law. It is bad enough to contend that the reserve even in these early years of the insurance system should not be more than three times the highest expected outgo for the 5 years ahead. It is even worse for anyone to make the inaccurate statement that there is a provision in the law to the effect that the "current tax yield should be approximately three times the current outgo." It is evidence of the weakness of the position of those who support the tax freeze that they lean upon completely unfounded statements.

But what I am more interested in is the conclusion which is drawn from this statement, which is that the present tax rate should be retained until the whole situation can be carefully reviewed. This suggestion is repeated in the eighth and final argument of the New York Times editorial. The rate should be held at 1 percent, the argument goes, "but a comprehensive expert study of the whole financing system should be immediately undertaken."

In the end, therefore, the arguments of those who favor the tax freeze appear as what they are—tactics of delay.

The individuals and groups who advance these arguments opposed the passage of the original Social Security Act in 1935. They have consistently opposed—by their actions if not always by their words—the expansion of our present system to cover presently excluded groups and to provide protection against additional risks. They dare no longer openly oppose social security and so they befuddle the issues and talk about committees of experts. We need no committee of experts to tell us that the present contribution rates for old-age and survivors insurance are too low to support the insurance system. What we need is the courage to act, not more studies by experts to tell us what we already know.

I have shown how little the arguments advanced by the proponents of the tax freeze amount to. I would not want to leave with any of my colleagues the impression that I think the position taken by the New York Times is representative of our leading newspapers. The number of newspapers which have stated clearly their opposition to the tax freeze is larger this year than it was last. I can take time to refer only to a few outstanding editorials. The Tennesseean, for November 20, after pointing out that the present contributions will not cover the costs of the system, had this to say:

> It is hard to see how society can continue to refuse to extend old-age benefits to the millions of domestic, independently employed, and farm workers. Those who will keep on opposing this extension would find comfort, support, and argument in a fund too small to meet the requirements. For these reasons, the tax should be allowed to double January 1, as provided by law.

An editorial in the St. Louis Post-Dispatch of November 14 called for defeat of the effort to freeze the tax, and said:

> It is none too soon * * * to let Congress, the lame ducks and continuing Senators alike, to know that this is bad medicine, to be left severely alone.

The Wall Street Journal has presented a series of editorials in which the case for the scheduled increase in rates has been clearly and forcefully stated. I will not take the time to read from these editorials, but I commend them to the attention of Senators for their presentation of an intelligent conservative point of view.

Mr. President, over a year and a half ago I had the honor to join with my friend, the distinguished Senator from New York [Mr. WAGNER], in introducing a bill establishing a comprehensive and unified social-insurance system. Had the gentlemen who now talk about the need for a careful review of the whole situation as regards social security been willing to accept the consequences of such an investigation, our bill—amended in many particulars as a result of full congressional consideration—would have been enacted long before this, and the people of this country would even now be facing with confidence the difficult years ahead. They would be secure in the knowledge that they were providing for themselves through their insurance system a continuing source of family income in case of old age, disability, unemployment or the death of the worker, and a method of paying for needed medical and hospital care. The people have shown in many ways that they want such security and that they are willing to pay for it.

I intend to do everything in my power to see that the next Congress gives early attention to the social security program. But let us be clear that what we may do in the next Congress to expand and extend the program has no bearing on the arguments today for or against a tax freeze—except as the position each one of us takes now bears witness to the sincerity or lack of sincerity of his support of social insurance.

The increase in the contribution rate to 2 percent on employers and on employees is necessary for the sound financing of the present program. I urge my

colleagues in the Senate to give real service and not lip service to social security for the American people. I ask that we oppose the tax freeze in House bill 5564 and stand by the step-up in the contribution rates properly scheduled in the present law.

Mr. VANDENBERG. Mr. President, the Senate is anxious to vote, and I share that anxiety. I wish briefly to summarize the situation as it appeals to the majority of the Committee on Finance, and to the overwhelming majority of the House of Representatives, so that the RECORD may indicate the justification of Senators who, in my judgment, will render a substantial majority in favor of the pending bill.

Mr. President, I wish to make it clear that the things which have been said in the course of the debate this afternoon regarding the expansion of old-age benefits and the expansion of coverage of old-age benefits, have absolutely nothing to do with the question pending before the Senate. The rate of the pay-roll tax which will be paid in 1945 has no relationship whatever to the schedule of benefits which will be paid under the law.

What I am trying to say is that the existing pay-roll tax pays for existing benefits. When we are proposing to freeze the tax at 1 percent instead of to permit it to increase to 2 percent, we are not affecting the benefits at all. We are simply saying, in behalf of the workers of America, that they shall not confront a doubled pay-roll tax to pay for existing benefits.

When we reach the question of whether or not the coverage of old-age insurance should be expanded, when we reach the question of whether or not the scale of benefit payments under old-age insurance should be expanded in certain categories, when we expand the coverage, and when we increase the benefits, then I agree it will be logical to increase the tax to pay for the expansion. But I submit that the House was everlastingly justified when, by vote of 263 to 72, it passed the bill; and the Senate Committee on Finance was everlastingly justified when, by a vote of 13 to 2, it said that no more taxes shall be collected from the pay rolls of this country in 1945 than are necessary to pay for existing benefits.

The sole question before the Senate is whether or not the existing 1 percent tax on pay rolls for employees and 1 percent for employers will be adequate through 1945 to sustain the payment of existing benefits. That is the only question before us.

Mr. President, I think that question can be rather simply and officially answered. It is to be remembered that in 1939 we consciously changed the character of the old-age and survivors insurance section of the Social Security Act. We took it from a full reserve basis and deliberately put it upon a contingent reserve basis. We did so because it is universally recognized that a public tax-supported insurance system does not require a full reserve, inasmuch as the entire public credit of the whole Nation is its reserve constantly.

I repeat, we transferred from a full reserve to a contingent reserve in 1939. Then the question became, What is the appropriate measure of a contingent reserve? That question also was settled officially in 1939. It was settled when the Secretary of the Treasury, Mr. Morgenthau, who is the chief fiscal officer of the Government, testified before the House Ways and Means Committee on March 24, 1939, and specifically defined what the contingent reserve ought to be. This is what he said:

> Specifically, I would suggest to Congress that it plan the financing of the old-age insurance system with a view to maintaining for use in contingencies an eventual reserve amounting to—

Amounting to what? This is the crux of the whole thing—

> amounting to not more than three times the highest prosepctive annual benefits in the ensuing 5 years.

That is the rule laid down by Secretary Morgenthau. The distinguished Senator from New York [Mr. WAGNER] can discount that rule as he pleases. He can try to indicate that we have distorted its application. The fact remains that the Secretary of the Treasury himself has never repudiated the rule, and we have never heard one single word from him in respect to its withdrawal. According to the Secretary of the Treasury in 1939 the rule, which we wrote by implication into the text of the statute itself, is that under contingent reserves the only reserve required for old age and survivors insurance is a reserve which is three times the highest contemplated annual expenditure in the next 5 years.

There it stands. That is the rule recommended by the Secretary of the Treasury; and he has never taken it back. There it stands by implication in the statute itself. But what are the facts?

The facts are that the old-age reserve on June 30 last was $5,450,000,000. The facts are that the highest expenditure in the next 5 years will be between $450,000,000 and $700,000,000, according to the estimates of the Social Security Board.

Mr. LUCAS. Mr. President, will the Senator yield on that point?

The PRESIDING OFFICER (Mr. JOHNSON of Colorado in the chair). Does the Senator from Michigan yield to the Senator from Illinois?

Mr. VANDENBERG. I yield.

Mr. LUCAS. Will the Senator disclose to me upon what that figure is based?

Mr. VANDENBERG. That figure is the official estimate of the Social Security Board, in contemplation of the expenditures in 1949 for the payment of benefits under the old-age and survivors insurance section of the law.

Mr. LUCAS. In other words, they testified before the committee that during the next 5 years the anticipated expenditure from this fund would be only $500,000,000; is that correct?

Mr. VANDENBERG. It will be between $450,000,000 and $700,000,000. They give that much latitude in the estimate, because it is difficult to make a specific and concrete estimate.

Mr. LUCAS. Then, if any more money is spent out of the fund it will be necessary, will it not, for the Congress, through legislation, to change the rate of employment compensation?

Mr. VANDENBERG. This has nothing to do with unemployment compensation.

Mr. LUCAS. I do not mean that. Of course under the present law payments in a certain amount are provided in the way of benefits.

Mr. VANDENBERG. That is correct.

Mr. LUCAS. Benefits are to be paid in a certain amount. If any more money than the $700,000,000, to which they have testified, would have to come out of the fund, it would be necessary for Congress to raise the amount which is to be paid; is that correct?

Mr. VANDENBERG. No; it is not at all correct. If the Senator will permit me to finish stating the computation, I think perhaps he will find his answer in the final figure I shall reach. If I fail to do so, I ask the Senator to interrupt me again.

Let us start again with the computation. The rule is, according to the Secretary of the Treasury, and by implication in the statute itself, that the reserve is adequate when it is three times the highest contemplated expenditure in the next 5 years. The highest contemplated expenditure will be in 1949, when it will be somewhere between $450,000,000 and $700,000,000. On June 30 the reserve, without any increase by way of new taxation, was $5,450,000,000.

In other words, the existing reserve, without a penny added to it, is from 8 to 12 times the highest contemplated expenditure, instead of only 3 times the highest contemplated expenditure, as recommended as our basic rule by the Secretary of the Treasury.

Does that answer the Senator's question?

Mr. LUCAS. That partially answers my question; but this afternoon I have listened to the distinguished senior Senator from New York [Mr. WAGNER] and the distinguished junior Senator from Montana [Mr. MURRAY], and they have constantly spoken about the economic conditions which will prevail in the country at the end of the present war because of lack of employment; and they have constantly argued, as I have understood their remarks, that the reserve fund can scarcely be too large in the event that we meet certain social and economic conditions which we all know we will eventually meet.

The inquiry I was making was whether the reserve fund, which the Senator has just said is now eight or nine times more than it is estimated will be needed, can be used to take care of persons who will be unemployed at the end of the war.

Mr. VANDENBERG. Mr. President, I must say to the Senator again that this has nothing to do with unemployment. A person qualifies for benefits under the old-age and survivors insurance system only when he has reached the age limit fixed in the statute. It has no relationship to unemployment.

Mr. LUCAS. That was my understanding. Perhaps I misunderstood the

distinguished senior Senator from New York, but I thought he was constantly talking about the question of men being unemployed after the war is over.

Mr. VANDENBERG. I thought the Senator from New York did have a good deal to say about that; but I thought that most of the time while he was speaking—and I regret his absence from the Chamber at this time—the Senator from New York was not discussing the very narrow issue which confronts the Senate today.

Mr. LUCAS. Mr. President, I must confess that I could not quite follow the argument with respect to the basic principles of the Social Security Act, and I rose for the purpose of making inquiry of the Senator.

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

Mr. VANDENBERG. I yield.

Mr. CHANDLER. Did I correctly understand the Senator to say that even if the tax were to go up 1 percent, there still would not be any additional benefits collected by the beneficiaries under the act?

Mr. VANDENBERG. That is entirely correct. All the benefits are stated in the law, and the benefits stay at those figures, regardless of what the tax is.

Mr. CHANDLER. There is ample money on hand to meet all the expected benefits; is there?

Mr. VANDENBERG. There is infinitely more money than the Social Security Board ever anticipated would be in the fund at this time. In fact, I will say to the Senator from Kentucky—and I think this is a rather conclusive exhibit—that, under the 1-percent tax, in 1945 we will collect as much money as the Social Security Board contemplated would be collected at 2 percent, when they originally wrote the law.

Mr. CHANDLER. I thank the Senator very much.

Mr. DANAHER and Mr. ELLENDER addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Michigan yield, and if so, to whom?

Mr. VANDENBERG. I will yield first to the Senator from Connecticut; but, if the Senator will permit me, before we leave that point, in order to make it perfectly clear that no question of solvency is involved, I wish to point out the enormous margin existing today in respect to current payments. During the last fiscal year the benefit payments were $185,000,000. To pay $185,000,000 in benefits we collected $1,300,000,000 in taxes. That mere comparison does not for an instant mean that we were not justified in the larger collection, because obviously the major burden of the collection is for the purpose of building up a reserve. But when we have a gap of that size, I can see no remote possibility of worrying about what is going to happen in respect to the post-war era to which the able Senator from Illinois has referred. I think everyone, including the Social Security Board, would freely concede that no remote problem is involved for at least 20 years, even though we keep the rates where they are.

Mr. REVERCOMB. Mr. President, will the Senator yield to me at this point?

Mr. VANDENBERG. I yield first to the Senator from Connecticut.

Mr. DANAHER. Mr. President, I thank the Senator. He has substantially covered the point I was about to emphasize, except that he did it on annual basis, whereas I was going to do it on a monthly basis. Even at present rates the yield is so great and the excess is so great that we are adding to reserves in an amount in excess of $100,000,000 a month.

Mr. VANDENBERG. I thank the Senator. On that proposition and on the proposition of the Senator from New York that we must be sure to maintain this as a contributory system—to which I agree—I wish to read one paragraph from a report made by the Tax Foundation on Social Security, in New York City, released on November 25, 1944, and compiled under the direction of Dr. Harley L. Lutz, professor of public finance at Princeton University. I ask Senators to listen to this paragraph:

> Here is presented a grave issue of public policy. According to the results of this study, if the terms of the present law relative to tax rates and benefits were to operate without change, workers and employers will pay in taxes $37,836,000,000 more, to 1980, than the beneficiaries of old-age and survivors insurance are to receive, after meeting the administrative costs.

Then, says the Tax Foundation, which is an authority which has to be given substantial credence:

> The futility of piling up a so-called reserve as a means of lightening future taxation has already been discussed. Whether workers and employers should be required to pay so heavily toward general Federal purposes under the guise of providing for social-security benefits which are thereafter presumed to be burdenless because of that taxation is a subject which should be frankly faced. This becomes the more important since it is obvious that excess taxation now will not spare future taxpayers from having to pay the full cost of such benefits as may be provided to the aged population of their own generation.

When the able Senator from New York raises the point that we may endanger the solvency of this fund, and that we may endanger public confidence in the solvency of the fund, I wish to submit to the Senate, because it bears directly on the question, that it is absolutely impossible for the fund to become insolvent because last year we adopted the Murray amendment to the bill, which dedicated the entire public credit of the general tax law to any deficit which might ever occur in the operation of the old-age and survivors insurance system. So there can be no misunderstanding about the solvency and sanctity of the trust, so long as there is any solvency and sanctity in the total public credit of the United States.

Furthermore, although this tax is supposed to increase to 2½ percent in 1946 and to 3 percent in 1948—and that is the part of the sacrosanct formula which the Senator from New York has indicated we must preserve lest there be some doubt cast on the solvency of the social-security fund—I call attention to the fact that the Social Security Board itself is now prepared to compromise this entire issue by fixing a permanent 2-percent tax and abandoning the proposed increase subsequently to 2½ percent and to 3 percent.

Mr. President, if it is not sacrosanct to carry the taxes on as required by statute to 2½ percent in 1946 and to 3 percent in 1948, neither is it sacrosanct to be required to pay 2 percent in 1945, when all the figures indicate that 1 percent is all that is needed in order to sustain the system under the fiscal rule recommended by the Secretary of the Treasury himself.

Mr. SHIPSTEAD rose.

Mr. VANDENBERG. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. A question arises in my mind. A surplus now exists which is greater than what it is contemplated will be expended in the next 3 years. Is it not true that that surplus is to be put into a special fund in the Treasury with an I O U placed there, and that subsequently these funds are to be spent for general expenses?

Mr. VANDENBERG. The Senator has asked a very difficult question. I will try to answer the Senator, and I shall ask him to try to follow me carefully as I proceed.

Mr. SHIPSTEAD. I shall be very glad to do so.

Mr. VANDENBERG. When the social-security tax is collected, it goes into the General Treasury and is disbursed against the general expenditures of the Government. The Congress then appropriates to the use of the Social Security Board the amount necessary for its annual administrative costs.

Mr. SHIPSTEAD. The Senator is correct.

Mr. VANDENBERG. And the remainder of the collections is appropriated to reserves.

Mr. SHIPSTEAD. Yes.

Mr. VANDENBERG. Whereupon the Treasury gives the Social Security Board United States bonds covering the latter amount. The Senator has asked if that is not merely an I O U.

Mr. SHIPSTEAD. Yes.

Mr. VANDENBERG. I rather think it is.

Mr. SHIPSTEAD. Yes.

Mr. VANDENBERG. I rather think that when one branch of the Government hands bonds of the Government to another branch of the same Government it is like putting a slip in the cashier's box.

Mr. SHIPSTEAD. The money is spent for general expenditures.

Mr. VANDENBERG. Yes.

Mr. SHIPSTEAD. And when the bonds have to be paid it will be necessary again to tax the people.

Mr. VANDENBERG. We do not tax those same people again, but the people generally.

Mr. SHIPSTEAD. The people who have paid the first tax, being part of the general public, will be taxed again. That is what I wanted to make clear.

Mr. VANDENBERG. The Senator may be correct. I do not wish to leave any unfair implication at that point.

There is no other way in which it is possible to have a reserve in a public-tax-supported institution except in Government bonds, and they will be in the nature of I O U's. That is perfectly inevitable. Precisely the same thing may be said with reference to reserves of the Federal Deposit Insurance Corporation. The reserves consist of Federal bonds. They are I O U's, if we wish to call them that, but there is no other way by which to create a reserve.

Mr. SHIPSTEAD. Mr. President, will the Senator further yield?

Mr. VANDENBERG. I yield.

Mr. SHIPSTEAD. I agree with what the Senator has said. But that is what I consider to be the most important reason why we should not raise the tax. The more we tax, the more will be put into general expenditures, the greater will be the interest which the bonds will draw, and the more it will become necessary to draw on the general public to replenish the funds which have been expended.

Mr. VANDENBERG. I think the Senator is entirely justified in the statement which he has made. I will go a step further. I think this example will clearly demonstrate the futility of accumulating a large reserve in a public institution of this nature.

It is proposed to have in this reserve fund, under the original prospectus, $50,000,000,000 by 1980. For the sake of calculation, suppose the money were in 3-percent Government bonds. At the rate of 3 percent the interest in 1980 would be $1,500,000,000. Suppose that in 1980 the Social Security Board needs for its operation the billion and a half dollars which it will have collected in interest. Congress must raise that billion and a half dollars by general taxation in order to pay the interest on the bonds.

Mr. SHIPSTEAD. The Senator is correct.

Mr. VANDENBERG. The taxpayers would not pay any more if Congress raised this sum two and one-half billion dollars as a direct contribution to social security. But if we follow the latter course, we shall not have had an accumulation of $50,000,000,000 in the meantime. That is the fundamental reason why the character of the entire system was changed in 1939. We left this gargantuan reserve behind us deliberately and consciously, and turned to a system which contemplates only a contingent reserve in order to take care of contingencies, as the definition of the word itself indicates.

Mr. President, I wish to conclude, but I want the RECORD to be very clear. I believe that the best witness in America on this subject, and the most competent analyst of a subject of this kind, is Mr. M. Albert Linton, of Philadelphia, president of the Provident Mutual Life Insurance Co. of Philadelphia. Mr. Linton has been a constant adviser to the Government with respect to all old-age and social-security matters. He was a member of the advisory council which rendered excellent service in 1939 in the perfection of the law. Mr. Linton appeared as a witness when the bill was before the House Ways and Means Committee. I wish to present a summary of Mr. Linton's reasons why we should vote for another freeze, or why we should vote for the pending bill. Mr. Linton summarized the case as follows:

1. Ample funds are available at the present 2-percent rate to meet all requirements for several years to come. The current tax yield is about seven times the current outgo of around $200,000,000. The O. A. S. I. (old-age and survivors insurance) trust fund is approaching $6,000,000,000 and is growing fast.

In other words, Mr. Linton's point No. 1 is that ample funds are already available.

2. It is obvious that the provision in the present law that the current tax yield should be approximately three times the current outgo, which was adopted at Secretary Morgenthau's suggestion, is at variance with the schedule of tax rates in the law. A careful review of the whole situation needs to be made. Since there is no emergency, the present tax rate should be retained while such a policy is being formulated in the first half of 1945.

3. Raising the social-security tax rate to meet war expenses—

Which is the point, incidentally, raised by the distinguished Senator from Minnesota—

would be unsound.

I should go further than that. The use of the social-security tax trust fund, directly or indirectly, for any purpose on earth except social-security purposes is a violation of a public trust in the rankest possible degree. Says Mr. Linton further:

It is dangerous to use these taxes for extraneous purposes.

But that is what is being done.

It would set a bad precedent for diverting social-security funds later into other channels. They should be applied solely to meet social-security needs.

4. Raising the social-security tax rate as an anti-inflationary measure would also be unsound. Anti-inflationary taxes should be openly and frankly levied for that purpose, and then repealed when no longer needed. To the extent that social-security taxes are anti-inflationary now, they would be deflationary in times of normal and subnormal business when the Government would wish to maintain mass purchasing power.

I submit that section of Mr. Linton's testimony particularly to the able Senator from Illinois, as applying to the inquiry he made of me. In the post-war period, to which the Senator from Illinois referred, when there may be a lag and a point at which there is economic difficulty in the United States, the fundamental need will be to sustain, so far as possible, the mass buying power of the American people, and I know of no poorer way to support the mass buying power of the American people than needlessly to double a pay-roll tax upon the masses of workers of this country.

Mr. SHIPSTEAD. Does not that amount to an income tax, to all intents?

Mr. VANDENBERG. Yes; and on the lowest-income groups in the country. That is exactly what it is, if my contention is correct.

Mr. Linton's fifth reason is:

5. To increase social-security taxes unnecessarily would impose unjustified burdens on small business and white-collar workers. Big business would not feel the burden to the same extent, because so much of it would be shifted to the Treasury Department Social-security taxes paid by a business are deductible in computing the income that is subject to high wartime income and excess-profits taxes.

We would not be doing anything for big business by freezing this tax, but we would be doing infinitely much for little business, and particularly for the white-collar workers.

Mr. Linton's sixth reason is as follows:

6. An increase in social-security taxes would increase the already large excess of income over outgo in the O. A. S. I. system. Especially if continued year after year, this situation would encourage raids on the fund either to be used (borrowed) for extraneous purposes or to liberalize the benefit formula unwisely. It is unlikely that the actuaries' calculations of liabilities on what may happen in 20 or 30 years hence would deter the raiders. Current conditions would have much more influence.

7. It is true that a generation hence the costs of old-age pensions will probably exceed the 6-percent pay-roll-tax receipts eventually contemplated by the present law, and that a Government subsidy to make up the difference would be needed. But this would be in line with practically all old-age-security systems in other countries. Moreover, as we have in effect adopted a pay-as-you-go system with a contingency reserve, a subsidy to the system would merely mean that another kind of tax would be substituted for a high pay-roll tax—

That is precisely the example I gave to the Senator from Minnesota—

Subsidies to the system of a reasonable amount are nothing to become alarmed about. The chief danger to the system is an unwise increase in the benefit formula which would make the total tax burden excessive. An extension of the coverage of the old-age and survivors insurance system to include other groups of workers would prevent the injustice to these workers that might otherwise come through contributing to benefits in which they do not share.

Eighth, and finally, Mr. Linton says:

8. The old-age and survivors insurance tax rate should be held at this time to 1 percent on the employer and 1 percent on the employee, but a comprehensive expert study of the whole financing system should be immediately undertaken.

Mr. President, I conclude with just this word: I think the case for the maintenance of the 1-percent rate during 1945 is absolutely clear on the basis of the record, on the basis of the law, on the basis of the Morgenthau rule. I freely concede, however, that it is all wrong for this subject to have to come to the floor of Congress every year for shotgun judgment by those of us who cannot possibly have the expert knowledge which is essential to a comprehension of this totally technical problem.

In the bill I introduced in the Senate on this subject there was a second section in which I propose to instruct the Joint Congressional Committee on Internal Revenue Taxation to investigate during the next year, with the aid of an advisory council of experts, the ques-

tion of what permanent pay-roll-tax provision should be written into the statute. The House omitted that section of the proposal, although it promised, unofficially, that the Ways and Means Committee of the House would give it subsequent attention.

I totally agree that we have to find some way out of this annual controversy on the floor of Congress so that there can be a stable consistency over a long-range plan at the base of the old-age and survivors insurance section of the social security law.

I give notice that the first thing in the new Congress I shall introduce a joint resolution seeking not only to instruct the Joint Congressional Committee on Internal Revenue Taxation to investigate and explore this subject itself but also to create another advisory council of experts on the subject, and providing that their studies shall include not only the appropriate tax rate contemplatively involved but also the expansion of coverage and the expansion of benefits under the old-age section of the social security law, so that 12 months from today we may have a concrete, well-justified, wholly sustained program for expanding coverage, and for expanding benefits, in those sections of the law which are at present inequitable, and for permanently financing the entire enterprise.

Mr. President, particularly in view of the fact that in 1945, it is obvious, the entire structure of the Social Security Act is to be rewritten, I submit, finally, that it is the year of years when we should maintain the existing tax rate, and wait for developments to determine what the tax rate of the future shall be.

I submit that the bill which was passed so overwhelmingly by the House should be equally overwhelmingly endorsed by the Senate.

Mr. CHANDLER. Mr. President, will the Senator yield before he takes his seat?

Mr. VANDENBERG. I yield.

Mr. CHANDLER. I think the Senator made it quite clear, but I wish to emphasize this one point, that even if the tax were raised, the beneficiaries under this section of the bill would not get any additional benefits next year.

Mr. VANDENBERG. The Senator is entirely accurate.

Mr. CHANDLER. I do not want anyone to say that if I vote for 1 percent I deny anyone benefits he would have gotten if I had voted for 2 percent.

Mr. VANDENBERG. It is perfectly amazing how that situation has been misrepresented. The Senator is absolutely correct. The benefits are frozen in the law. The benefits will be the same no matter what may be paid next year by the workers of the Nation.

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

Mr. VANDENBERG. I yield.

Mr. WHEELER. There is one question which I think possibly the Senator covered, but I did not quite catch his explanation. Suppose, as the Senator from New York has said, there should be great unemployment following the war. How is that to be taken care of? Will there be enough money in the Treasury funds to take care of that, or will we have to raise the amount necessary at that time? How is that to be worked out?

Mr. VANDENBERG. The Senator understands, in the first place, that this has absolutely no relationship to unemployment-benefit payments. It applies solely to old-age pensions.

Mr. WHEELER. I understood the Senator was talking about unemployment.

Mr. VANDENBERG. That is what the Senator from New York was talking about, but I stated a little while ago that that is one of the points which seems to me entirely irrelevant in connection with this discussion, because it is totally unrelated.

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

Mr. VANDENBERG. I yield.

Mr. LUCAS. Following up the inquiry made by the Senator from Montana [Mr. WHEELER], I want to try to make it clear to my own mind and clear to the minds of other Senators that this reserve fund is definitely for one purpose, and that is for aged persons and their survivors, and nobody else.

Mr. VANDENBERG. That is all; and only for those who have already made the payments and created the contracts.

Mr. LUCAS. Yes, I understand. Now the only way that this reserve fund which the Senator is speaking of, which is so large, can be reached by any group of people, is through the Congress, I take it, increasing the benefit payments to the aged persons and their survivors.

Mr. VANDENBERG. The Senator is correct.

Mr. DANAHER. Mr. President, I want to congratulate those Senators who have found it possible to be present to listen to the splendid presentation just made by the Senator from Michigan. It was a noteworthy exposition of the problem which has confronted the Senate in connection with this legislation.

There was one remark, however, made by the Senator from Michigan, which interested me particularly, and that was his advice that at the opening of the next session of Congress he contemplates asking for a study by the joint staff. That bears, I might say, on his observation that there is no other way—and I think those are his words—no way to invest the proceeds of the old-age and survivors insurance trust fund other than in United States bonds. I think those were his exact words.

Mr. President, I think there may be another way, and I would not wish to have the possibility of another way overlooked at the time of that study. It is entirely possible that with a Government guaranty, the fund can be invested in the obligations of self-liquidating Government projects which will earn their way and pay their interest and carrying charges, and at the same time supply a very real public need, particularly if those obligations be issued only when private lending sources would not advance the capital.

There is a way, therefore, Mr. President, in which it might be decided this reserve can be put to work, and there are instances of it in various States. I will say to the Senator from Michigan, for example, that in the State of Connecticut, since 1795, there has been maintained intact the State school fund, all the proceeds of which were derived from the sale of the Western Reserve. A great part of the State of Ohio, whose junior Senator I see watching me at the moment, came from the property once known as the Connecticut or Western Reserve. When Connecticut sold that territory, Mr. President, there was set up a fund which annually has yielded great income and at the present time it yields a sum equal at least to $2.25 per pupil for every child between the ages of 5 and 16 years, the enumerable school ages in the State of Connecticut. All down through the years those funds have been invested in mortgages in the State of Connecticut, which are given prior status even over taxes of municipalities. Thus the fund is wisely administered and fully protected.

There are many ways, Mr. President, in which this fund could in fact be conserved and still be put to work, but one in particular, to which I shall refer briefly, seems to me worthy of study. I have in mind that when it was contemplated by the Port of New York Authority that they build the Lincoln Tunnel there were no investment sources which would take the obligations of the Port of New York Authority for that purpose. The R. F. C. took the obligations. The R. F. C. found the project was self-liquidating, and when operations were undertaken and the tunnel was successful, there was no trouble whatever in selling the obligations.

So it seems to me, Mr. President, there might be self-liquidating Government projects and other worth-while developments which the Government planning experts might explore and their findings might be considered in the course of the study which the Senator from Michigan contemplates.

The ACTING PRESIDENT pro tempore. The bill is still before the Senate and open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to a third reading and was read the third time.

The PRESIDING OFFICER. The bill having been read three times, the question is, Shall the bill pass?

Mr. VANDENBERG. I ask for the yeas and nays.

Mr. GUFFEY. I suggest the absence of a quorum.

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

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

Aiken	Byrd	George
Austin	Capper	Gerry
Bailey	Caraway	Gillette
Ball	Chandler	Guffey
Bilbo	Connally	Gurney
Brewster	Cordon	Hall
Brooks	Danaher	Hatch
Burton	Davis	Hayden
Bushfield	Ellender	Hill
Butler	Ferguson	Holman

Jenner	Mead	Thomas, Okla.
Johnson, Calif.	Millikin	Tunnell
Johnson, Colo.	Murray	Vandenberg
Kilgore	O'Daniel	Wagner
La Follette	Overton	Walsh
Langer	Radcliffe	Weeks
Lucas	Reynolds	Wheeler
McClellan	Robertson	Wherry
McFarland	Russell	White
McKellar	Shipstead	Wiley
Maloney	Smith	Willis
Maybank	Stewart	Wilson

The ACTING PRESIDENT pro tempore. Sixty-six Senators have answered to their names. A quorum is present.

The yeas and nays have been demanded. Is the demand sufficiently seconded?

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. HILL (when Mr. BANKHEAD'S name was called). My colleague the senior Senator from Alabama [Mr. BANKHEAD] and the senior Senator from Missouri [Mr. CLARK] are necessarily absent. The Senator from Alabama and the Senator from Missouri are paired on this question. I am advised that if present and voting the Senator from Missouri would vote "yea" and the Senator from Alabama would vote "nay."

Mr. WHERRY (when Mr. REVERCOMB'S name was called). The junior Senator from West Virginia is necessarily absent. I am informed that if he were present and voting he would vote "yea."

The roll call was concluded.

Mr. HILL. I further announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Florida [Mr. PEPPER] is absent on important public business.

The Senator from Nevada [Mr. MCCARRAN] and the Senator from Utah [Mr. MURDOCK] are detained on official business for the Senate.

The Senator from Kentucky [Mr. BARKLEY] and the Senator from New Mexico [Mr. CHAVEZ] are unavoidably detained.

The Senator from Florida [Mr. ANDREWS], the Senator from California [Mr. DOWNEY], the Senator from Mississippi [Mr. EASTLAND], the Senator from Idaho [Mr. CLARK], the Senator from Rhode Island [Mr. GREEN], the Senator from Nevada [Mr. SCRUGHAM], the Senator from Utah [Mr. THOMAS], the Senator from Missouri [Mr. TRUMAN] the Senator from Wyoming [Mr. O'MAHONEY], the Senator from Maryland [Mr. TYDINGS], and the Senator from Washington [Mr. WALLGREN] are necessarily absent.

The Senator from Ohio [Mr. TAFT] is paired with the Senator from Kentucky [Mr. BARKLEY]; the Senator from Florida [Mr. ANDREWS] is paired with the Senator from Rhode Island [Mr. GREEN]; the Senator from New Hampshire [Mr. TOBEY] is paired with the Senator from Florida [Mr. PEPPER]; and the Senator from New Hampshire [Mr. BRIDGES] is paired with the Senator from Utah [Mr. THOMAS]. I am advised that if present and voting, the Senator from Ohio [Mr. TAFT], the Senator from Florida [Mr. ANDREWS], and the Senators from New Hampshire [Mr. TOBEY and Mr. BRIDGES] would vote "yea." The Senator from Kentucky [Mr. BARKLEY], the Senator from Rhode Island [Mr. GREEN], the Senator from Florida [Mr. PEPPER], and the Senator from Utah [Mr. THOMAS] would vote "nay."

Mr. WAGNER. I have a general pair with the Senator from Kansas [Mr. REED]. I transfer that pair to the Senator from Nevada [Mr. SCRUGHAM]. I am not advised how either Senator would vote if present. I vote "nay."

Mr. WHERRY. The Senator from New Hampshire [Mr. BRIDGES] is paired with the Senator from Utah [Mr. THOMAS]. If present the Senator from New Hampshire would vote "yea," and the Senator from Utah would vote "nay."

The Senator from Ohio [Mr. TAFT] is paired with the Senator from Kentucky [Mr. BARKLEY]. If present the Senator from Ohio would vote "yea," and the Senator from Kentucky would vote "nay."

The Senator from New Hampshire [Mr. TOBEY] is paired on this question with the Senator from Florida [Mr. PEPPER]. If present the Senator from New Hampshire would vote "yea," and the Senator from Florida would vote "nay."

The Senator from Delaware [Mr. BUCK], the Senator from West Virginia [Mr. REVERCOMB], the Senator from New Jersey [Mr. HAWKES], and the Senator from Idaho [Mr. THOMAS] are necessarily absent. These four Senators would vote "yea" if present.

The Senator from Oklahoma [Mr. MOORE], the Senator from North Dakota [Mr. NYE], and the Senator from Kansas [Mr. REED] are necessarily absent.

The result was announced—yeas 47, nays 19, as follows:

YEAS—47

Austin	Ferguson	Reynolds
Bailey	George	Robertson
Bilbo	Gerry	Shipstead
Brewster	Gillette	Smith
Brooks	Gurney	Thomas, Okla.
Burton	Hall	Tunnell
Bushfield	Holman	Vandenberg
Butler	Jenner	Walsh
Byrd	Johnson, Calif.	Weeks
Capper	Johnson, Colo.	Wheeler
Chandler	McClellan	Wherry
Connally	Maybank	White
Cordon	Millikin	Wiley
Danaher	O'Daniel	Willis
Davis	Overton	Wilson
Ellender	Radcliffe	

NAYS—19

Aiken	Kilgore	Mead
Ball	La Follette	Murray
Caraway	Langer	Russell
Guffey	Lucas	Stewart
Hatch	McFarland	Wagner
Hayden	McKellar	
Hill	Maloney	

NOT VOTING—29

Andrews	Glass	Revercomb
Bankhead	Green	Scrugham
Barkley	Hawkes	Taft
Bridges	McCarran	Thomas, Idaho
Buck	Moore	Thomas, Utah
Chavez	Murdock	Tobey
Clark, Idaho	Nye	Truman
Clark, Mo.	O'Mahoney	Tydings
Downey	Pepper	Wallgren
Eastland	Reed	

So the bill, H. R. 5564, was passed.

Mr. HILL. Mr. President, I ask unanimous consent that the President of the Senate be authorized to sign the bill which has just been passed during the recess of the Senate.

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

CHAPTER 600—PUBLIC LAW 495

[H. R. 5564]

An Act to fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That:

(a) Clauses (1), (2), (3), and (4) of section 1400 of the Federal Insurance Contributions Act (section 1400 of the Internal Revenue Code, relating to the rate of tax on employees) are amended to read as follows:

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, 1944, and 1945, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(3) With respect to wages received after December 31, 1948, the rate shall be 3 per centum."

(b) Clauses (1), (2), (3), and (4) of section 1410 of the Federal Insurance Contributions Act (section 1410 of the Internal Revenue Code, relating to the rate of tax on employers) are amended to read as follows:

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, 1944, and 1945, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar years 1946, 1947, and 1948, the rate shall be 2½ per centum.

"(3) With respect to wages paid after December 31, 1948, the rate shall be 3 per centum."

Approved December 16, 1944.

LISTING OF REFERENCE MATERIAL

U.S. Congress. House. Committee on Ways and Means. *Freezing the Social Security Tax Rate at 1 Percent. Hearings . . . 78th Congress, 2d session.*

79TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 34

WAIVING THE LIMITATION IN SECTION 1426 (a) (1) OF THE INTERNAL REVENUE CODE FOR THE WAR SHIPPING ADMINISTRATION AS AN EMPLOYER OF SEAMEN

JANUARY 23, 1945.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. DOUGHTON of North Carolina, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 1429]

The Committee on Ways and Means, to whom was referred the bill (H. R. 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the employer's tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The purpose of the bill is to permit the War Shipping Administration as an employer of seamen serving on vessels owned, or bareboat chartered to the United States, through the War Shipping Administration, to pay the employers' pay-roll tax for old-age benefits without regard to the $3,000 limitation placed upon the amount of wages subject to the tax. The bill is designed to overcome an existing administrative hardship in the War Shipping Administration, arising out of the extent and character of the operations of that agency.

In 1943, the Congress enacted legislation placing the services of seamen, in the employ of the War Shipping Administration, within the definition of "covered employment" as used in the Social Security Act, as amended, for the purpose of old-age and survivors' insurance, and directed the War Shipping Administration, as an employer, to pay the employer's pay-roll excise tax in accordance with existing law. The War Shipping Administration, however, has encountered considerable difficulty in observing the limitation that only the first

$3,000 remuneration paid to any employee during a calendar year is subject to the employer's tax. The difficulty arises in cases in which a seaman, during the course of a year, serves as an employee of the United States on vessels operated by two or more general agents of the Administration. The first general agent for whom the seaman works is in a position to observe the $3,000 limitation on wages subject to the employer's tax. The second general agent, however, has no means of checking on the wages paid to the seaman earlier in the same year by another general agent of the Administration.

The War Shipping Administration cannot enforce the $3,000 limitation in cases where seamen work for two or more general agents in the same calendar year, without establishing a central wage record office in Washington to maintain the wage records of all the seamen in its employ, check the records for the $3,000 limitation in each individual case and prepare all the returns for seamen employed by it.

In all cases where a seaman is employed by one general agent throughout a particular calendar year the War Shipping Administration encounters no difficulty in observing the $3,000 limitation and advises it will not pay taxes on the amounts above $3,000 in such cases.

In addition to relieving the administrative difficulties outlined above, a substantial saving will be effected not only in money, but also in manpower by the enactment of the bill. While it is difficult to determine accurately the amount of savings involved, the War Shipping Administration has attempted to approximate the amount. The cost of operating a central wage record unit in Washington to insure the enforcement of the $3,000 limitation would amount to at least $150,000 to $200,000 per year, while the estimate on the additional taxes which, under the bill, it may pay on wages in excess of $3,000 paid to seamen in its employ would amount to not more than $100,000, or a saving of $50,000 to $100,000 per annum. In addition to the money involved, a central unit in Washington would require the use of calculating and business machines, which would have to be specially manufactured since there are none available on the market, and the employment of additional personnel, both in the manufacture and operation of these machines at a time when manpower is sorely needed in jobs more directly connected with the prosecution of the war. The figures used are merely estimates and approximations of variable factors with respect to which it is impossible to secure accurate figures and are contingent on the acquisition of the necessary machines and manpower to operate the central wage record unit.

The bill also relieves the War Shipping Administration from filing claims for refund of taxes paid on wages in excess of $3,000. It is estimated that the cost of preparing and filing claims for refund would be as great as the cost of establishing the central wage unit to check and insure the observance of the $3,000 limitation.

The bill relates only to the War Shipping Administration as an employer and does not affect the employee's tax or his benefits under the social-security program.

The bill will be effective during the period prior to the termination of the First War Powers Act of 1941, and is retroactive to services performed since September 30, 1941. It is a war measure which the War Shipping Administration believes will facilitate a more effective

prosecution of the war effort. No change in the basic policy of the social-security laws is involved.

Representatives of the War Shipping Administration and of the Social Security Board appeared before the committee in support of the bill.

The following letters and attachments set forth more in detail the purpose of the bill:

JANUARY 5, 1945.

The Honorable SAM RAYBURN,
Speaker of the House of Representatives.

MY DEAR MR. SPEAKER: The War Shipping Administration respectfully submits proposed legislation to permit the War Shipping Administration and the United States Maritime Commission to pay the employer's tax imposed on wages under section 1410 of the Internal Revenue Code, without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code. This legislation will continue in force until the termination of title I of the First War Powers Act, 1941, and will apply to the employer's tax imposed on wages paid for services performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or the United States Maritime Commission in case of employment by it prior to establishment of the War Shipping Administration.

Section 1426 (a) (1) of the Internal Revenue Code defines wages, taxable under the Federal Insurance Contributions Act, to mean the first $3,000 of remuneration paid to an individual by an employer with respect to employment during any calendar year. It is the view of the War Shipping Administration that the operation of this statute should be suspended for the war period because of the substantial cost required to apply it to wages paid by the War Shipping Administration and the Maritime Commission as employers of seamen.

In order to enforce the statute in its present form, the War Shipping Administration will have to set up a central unit at which it will maintain the personnel records of all seamen in the employ of the War Shipping Administration and the Maritime Commission. This central unit will also have to prepare the returns under the Federal Insurance Contributions Act covering the employer's and the employee's taxes on the wages paid to seamen in the employ of those agencies. This will necessarily involve a duplication of work at a cost which, in our opinion, will greatly exceed the amount of additional taxes which the War Shipping Administration and the Maritime Commission may have to pay, should the proposed legislation be adopted. Administrative and bookkeeping personnel engaged in such work could be released for duties more directly connected with the war effort and with the movement of vessels and vital war cargoes.

The proposed legislation also excuses the War Shipping Administration and the Maritime Commission from applying for refunds of the employer's taxes paid on wages in excess of the $3,000 limitation. The applications for refunds would, in our opinion, necessitate as much work and the application of as much time and effort as the proper enforcement of section 1426 (a) (1) would require at the present time.

There is attached a copy of (1) a draft of a bill to carry out the above purposes, and (2) an explanatory statement thereon.

The Director of the Bureau of the Budget has advised that there is no objection to the submission of this proposed legislation to Congress for its consideration.

Sincerely yours,

E. S. LAND, *Administrator.*

A BILL To permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1426 (i) of the Internal Revenue Code is amended by adding at the end thereof the following: "The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for convenience of administration, make payments of the tax imposed under section 1410 without regard to the $3,000 limitation in section 1426 (a) (1), but they shall not

be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code."

(b) The amendments made by this Act shall be effective as if made by section 1 (b) (1) of the Act entitled "An Act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes," approved March 24, 1943 (Public Law 17, Seventy-eighth Congress; 57 Stat. 45).

STATEMENT TO ACCOMPANY PROPOSED BILL TO PERMIT THE WAR SHIPPING ADMINISTRATION AND THE UNITED STATES MARITIME COMMISSION TO PAY THE TAX IMPOSED ON WAGES UNDER SECTION 1410 OF THE INTERNAL REVENUE CODE WITHOUT REGARD TO THE $3,000 LIMITATION IN SECTION 1426 (A) (1) OF THE INTERNAL REVENUE CODE

The proposed bill, if enacted, will permit the War Shipping Administration and the United States Maritime Commission to pay the employer's tax, levied under section 1410 of the Internal Revenue Code (the Federal Insurance Contributions Act), on wages paid to seamen in their employ without regard to the $3,000 limitation contained in section 1426 (a) (1) of the Internal Revenue Code. The proposed bill, if enacted, will remain in force until the termination of Title I of the First War Powers Act, 1941, and will apply to the employer's taxes imposed on wages paid for services, performed after September 30, 1941, and prior to the termination of Title I of the First War Powers Act on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or in respect of such services performed after February 11, 1942, the United States Maritime Commission.

Section 1426 (i) of the Internal Revenue Code, added by Public Law 17, Seventy-eighth Congress, first session, provided for the inclusion within the scope of the term "employment," as used in the Federal Insurance Contributions Act, of services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States, employed through the War Shipping Administration or of the United States Maritime Commission. The statute covered retroactively wages paid for such services performed after September 30, 1941. The term "wages" was defined to mean such amount of remuneration as was determined by the Administrator of the War Shipping Administration to be paid to the seamen, to whom the section applied, for such services. The Administrator of the War Shipping Administration and such agents as he would designate were authorized and directed to comply with the provisions of the internal-revenue laws on behalf of the United States as the employer of individuals whose services constituted employment by reason of section 1426 (i) of the Internal Revenue Code.

Section 1426 (a) (1) of the Internal Revenue Code is the source of the difficulty which the proposed bill seeks to remedy. The section defines wages taxable under the Federal Insurance Contributions Act to mean "all remuneration for employment, including the cash value of all remuneration paid in any medium other than cash; except that such term shall not include (1) that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year."

The War Shipping Administration has no means at its disposal to determine when a seaman in its employ has reached the $3,000 limit with respect to employment in a particular calendar year. The manner in which the War Shipping Administration operates its vessels makes it impossible for such a determination to be made without the expenditure of a large sum of money; larger, in fact, than the additional employer's tax which the War Shipping Administration would have to pay if the proposed bill were enacted.

Members of crews of vessels which are either owned by or bare-boat chartered to the United States, through the War Shipping Administration, are employees of the United States. Section 1426 (i) relates specifically to these individuals and to none other. The vessels upon which they serve are operated by the War Shipping Administration through designated agents referred to as general agents. The general agents are principally companies which had engaged in the water transportation business prior to December 7, 1941, and prior to the creation of the War Shipping Administration. The general agent, through his organization, operates the vessels assigned to him under the general agent's form of service agreement. He arranges to crew the vessel, to supply it with food, fuel, and other

vessel supplies, and to load and unload the cargo. He pays off the crew at the termination of the voyage after making all necessary tax deductions. The crew members he hires are not his employees; they are the employees of the War Shipping Administration.

Under the present method of handling the employer's and employee's taxes imposed by the Federal Insurance Contributions Act, the general agent at the conclusion of each voyage deducts the employee's tax from the wages paid to the seamen for services performed during the voyage, and arranges to turn over to the collector of internal revenue the taxes so deducted, together with the tax levied on the War Shipping Administration as employer. There is no assurance that a seaman, who signs off, will sign articles on the same vessel for a subsequent voyage, or that he will sign articles on another War Shipping Administration vessel operated by the same general agent. A vessel may come into port in need of repairs, and it may be laid up for a considerable period of time. Crew members, on signing off such a vessel, will, in all probability, seek employment on another vessel which may be operated by a private owner under a time charter arrangement with the War Shipping Administration, or by some other general agent for the War Shipping Administration. In the latter case they will continue to be employees of the War Shipping Administration.

Technically the $3,000 limitation in section 1426 (a) (1), Internal Revenue Code, applies to the wages paid or reported with respect to employment during the calendar year by the War Shipping Administration to an individual seaman whether he serves, during the calendar year, on one or several vessels operated for the War Shipping Administration through its general agents. It is, however, practically impossible for one general agent of the War Shipping Administration to obtain accurate information regarding the wages a seaman received with respect to employment during a particular calendar year for services performed on other War Shipping Administration vessels operated by general agents. The most that one general agent can possibly know with respect to such prior payments would take care of wages that the seaman might have earned on the same vessel or another vessel operated by the particular general agent.

In order to properly apply the $3,000 limitation to seamen employed by the War Shipping Administration, it would, in our opinion, be necessary to install a separate unit in Washington, charged with the responsibility of maintaining the personal wage records of every seaman in the employ of the War Shipping Administration through the general agents. In addition, the War Shipping Administration would have to take upon itself the duty of preparing, at this central office, the necessary returns required under the Federal Insurance Contributions Act. This would require the receipt of reports from all general agents of the War Shipping Administration, and the expenditure of substantial sums of money to maintain a unit to handle this particular job. It would involve a duplication of records and of work, since the general agent would have to maintain its own personnel records covering the same seamen, and would likewise have to make calculations of the amount of the employee's tax to be deducted from a seaman's wages before he signs off.

The proposed bill takes care of this situation by eliminating the application of the $3,000 limitation to wages paid to War Shipping Administration employees serving on War Shipping Administration vessels operated under the general agent's form of service agreement. The general agent, when calculating the employer's tax, will figure the tax on the wages paid or reported with respect to employment during the particular calendar year or quarter and it will not be necessary for him to consider the wages paid in previous quarters of the same calendar year to make sure that the $3,000 limit has not been reached. This may involve the payment of the employer's tax in excess of what the War Shipping Administration would have to pay if section 1426 (a) (1) continues in force insofar as War Shipping Administration seamen are concerned. This sum, however, is relatively small compared to the very substantial cost which would be incurred in order to properly apply section 1426 (a) (1).

The proposed bill will suspend the operation of section 1426 (a) (1) of the Internal Revenue Code, insofar as it affects the War Shipping Administration as the employer of seamen, until the termination of title I of the First War Powers Act, 1941, and it applies not only currently but to the employer's tax due with respect to wages paid to crew members for services performed since September 30, 1941, as an employee of the United States Maritime Commission and since February 11, 1942, as an employee of the War Shipping Administration. It will eliminate a substantial amount of detailed bookkeeping by the War Shipping Administration and its General Agents in the application of section 1426 (a) (1) of the Internal Revenue Code. Employees who must now devote their time to

such tasks can be released for work more directly connected with the effective prosecution of the war effort.

The proposed bill specifically provides that neither the United States Maritime Commission nor the War Shipping Administration need apply for refunds of the employer's tax paid on remuneration in excess of $3,000. The filing of such claims would require as much bookkeeping and administrative work by the agencies concerned as would be necessary in order to apply section 1426 (a) (1). The proposed bill appropriately provides that claims for refunds will not be necessary.

SUMMARY

The operation of section 1426 (a) (1) of the Internal Revenue Code may very well be suspended during the national emergency with respect to the payment of the employer's tax by the War Shipping Administration and the United States Maritime Commission, for the following reasons:

1. The amount of employer's tax which the War Shipping Administration and the United States Maritime Commission will pay as a result of such suspension will, in our opinion, be relatively small in comparison with the cost of complying with section 1426 (a) (1).

2. A substantial amount of administrative and bookkeeping work by the War Shipping Administration and the United States Maritime Commission, and by shipping companies, as general agents of the War Shipping Administration, necessarily required in the enforcement and application of section 1426 (a) (1) will be dispensed with, and employees now engaged in such tasks will be released for work more directly connected with the effective prosecution of the war effort.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; existing law in which no change is made is in roman; and new language is in italics):

Section 1426 (i) of the Internal Revenue Code (subsec. (i) in sec. 1 (b) (1) of Public Law 17, 78th Cong., 1st session, as amended by Public Law 285, 78th Cong., 2d session) (sec. a of H. R. 1429):

(i) The term "employment" shall include such service as is determined by the Administrator, War Shipping Administration, to be performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, 1941, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or, in respect of such service performed before February 11, 1942, the United States Maritime Commission, but shall not include any such service performed (1) under a contract entered into without the United States and during the performance of which the vessel does not touch at a port in the United States, or (2) on a vessel documented under the laws of any foreign country and bare-boat chartered to the War Shipping Administration. The term "wages" means, with respect to service which constitutes employment by reason of this subsection, such amount of remuneration as is determined (subject to the provisions of this section) by the Administrator, War Shipping Administration, to be paid for such service. The Administrator and such agents as he may designate for the purpose are authorized and directed to comply with the provisions of the internal revenue laws on behalf of the United States as the employer of individuals whose service constitutes employment by reason of this subsection, but the Administrator and his agents shall not be liable for the tax on any employee imposed by section 1400 (unless the Administrator or his agent collects such tax from the employee) with respect to service performed before the date of enactment of this subsection which constitutes employment by reason of the enactment of this subsection. *The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for convenience of administration, make payments of the tax imposed under section 1410 without regard to the $3,000 limitation in section 1426 (a) (1), but they shall not be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code.*

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Union Calendar No. 10

79TH CONGRESS
1ST SESSION

H. R. 1429

[Report No. 34]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 15, 1945

Mr. DOUGHTON of North Carolina introduced the following bill; which was referred to the Committee on Ways and Means

JANUARY 23, 1945

Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

A BILL

To permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1426 (i) of the Internal Revenue Code is amended by adding at the end thereof the following: "The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for con-

venience of administration, make payments of the tax imposed under section 1410 without regard to the $3,000 limitation in section 1426 (a) (1), but they shall not be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code."

(b) The amendments made by this Act shall be effective as if made by section 1 (b) (1) of the Act entitled "An Act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes", approved March 24, 1943 (Public Law 17, Seventy-eighth Congress; 57 Stat. 45).

PERMITTING THE WAR SHIPPING ADMINISTRATION AND UNITED STATES MARITIME COMMISSION TO PAY THE TAX IMPOSED UNDER SECTION 1410 OF THE INTERNAL REVENUE CODE

Mr. DOUGHTON of North Carolina. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H. R. 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina [Mr. DOUGHTON]?

Mr. REED of New York. Mr. Speaker, reserving the right to object, will the gentleman make a short explanation of the bill?

Mr. DOUGHTON of North Carolina. Mr. Speaker, the bill H. R. 1429 has been unanimously reported by the Committee on Ways and Means. It was introduced and considered at the request of Admiral Land, Administrator of the War Shipping Administration, and is designed to overcome an administrative problem in that agency during the war period.

The War Shipping Administration is required by law to pay the employers' tax of 1 percent on the pay roll of seamen in its employ for old-age benefits under the Social Security Act. Existing law requires that the War Shipping Administration pay such tax only on the first $3,000 of wages paid to a seaman during a year, but in order for the Administration to observe this limitation it would be necessary to establish a large and expensive bookkeeping division here in Washington. Admiral Land believes, and the committee agrees, that it is more practical and economical, during the war period, to permit him to pay the 1 percent tax on amounts above $3,000, and not make claim for refund, than to establish the expensive bookkeeping division, which would otherwise be necessary, when not only manpower but also business machines are difficult to secure.

Under the bill there would be an estimated net saving of $50,000 to $100,000 per year.

Mr. REED of New York. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield to the gentleman from New York.

Mr. REED of New York. Mr. Speaker, the gentleman from North Carolina has covered the situation very clearly.

Law enacted in 1943 placed service of seamen in the employ of the War Shipping Administration within covered employment of Social Security Act for purpose of old age survivors' insurance.

Benefits are financed by equal taxes on the employer and employee. The taxes are based on the employee's wages up to $3,000 and not in excess of $3,000 received in any 1 year.

Administration of old-age and survivors' insurance necessitates maintaining a continuous wage record under a separate account number for each employee until he is eligible for benefits. Every 3 months employers report the amount of each employee's wages, with his account number, to the Bureau of Internal

Revenue. when they pay the employer's and employee's taxes. The Bureau forwards these reports to the Social Security Board, where each employee's wages are recorded to his account.

This bill, H. R. 1429, is to overcome an administrative difficulty relating to the War Shipping Administration which has no means to determine when a seaman in its employ has reached the $3,000 limit with respect to employment in a particular calendar year.

Vessels are operated through designated agents referred to as general agents. He selects the crew for each vessel and its supplies. He pays off the crew at the end of the voyage after making tax deductions. Men he hires are not his employees; they are employees of the War Shipping Administration.

This bill, H. R. 1429, eliminates the application of the $3,000 limitation as to taxable wages. It may lead to overpayment of taxes by the Shipping Administration, but will in no way adversely affect the benefits of the employees.

To operate a central wage record unit to enforce the $3,000 wage limitation would cost $150,000 to $200,000.

The estimated additional taxes which, under the bill, the War Shipping Administration might have to pay in wages in excess of $3,000 would probably not exceed $100,000—a saving of $50,000.

Calculating machinery is not available to set up a central wage unit to keep the records to insure the enforcement of the $3,000 limitation.

Mr. DOUGHTON of North Carolina. A special division would have to be set up by the Government and the Government would lose about $60,000 per annum.

Mr. RICH. Mr. Speaker, will the gentleman yield?

Mr. DOUGHTON of North Carolina. I yield.

Mr. RICH. I can appreciate the difficulty which the Maritime Commission may be having in collecting their tax. Does the Ways and Means Committee ever think of the difficulties they have placed on manufacturers and business people of this country not only in collecting that tax but taxes they are forcing the employer to collect today? I want to say that as an employer of labor, the duties that are imposed upon manufacturing concerns today by the new tax laws are most difficult, and they are supposed to be so exact. With the labor shortages in many establishments in this country, I hope the Ways and Means Committee will find some way of simplifying the duties which are being imposed upon the business people of this country. It will be necessary to do that if you expect the business people to continue in business.

Mr. DOUGHTON of North Carolina. I may say to the gentleman from Pennsylvania that at the time we consider the next tax bill we will be pleased to have the gentleman appear before our committee. There are obvious difficulties.

Mr. RICH. I will be glad to do that.

Mr. DOUGHTON of North Carolina. But that is in no way involved in the present bill.

Mr. RICH. I appreciate that, but this gives me an opportunity to call the attention of the Ways and Means Committee and the chairman of that committee to the matter. I have the greatest respect for the chairman of that committee and I hope that that committee in the future will try to find some way of giving relief to the people of this country that we are forcing to collect the greatest amount of taxes that has ever been collected. They have a problem now to face.

Mr. DOUGHTON of North Carolina. We are all having that problem, I may say to the gentleman.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There being no objection, the Clerk read the bill, as follows:

Be it enacted, etc., That (a) section 1426 (1) of the Internal Revenue Code is amended by adding at the end thereof the following: "The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for convenience of administration, make payments of the tax imposed under section 1410 without regard to the $3,000 limitation in section 1426 (a) (1), but they shall not be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code."

(b) The amendments made by this act shall be effective as if made by section 1 (b) (1) of the act entitled "An act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes", approved March 24, 1943 (Public Law 17, 78th Cong.; 57 Stat. 45).

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Calendar No. 84

79TH CONGRESS, 1st Session | SENATE | REPORT No. 85

PAYMENT OF TAX BY WAR SHIPPING ADMINISTRATION AS EMPLOYER OF SEAMEN

MARCH 8 (legislative day, FEBRUARY 26), 1945.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 1429]

The Committee on Finance, to whom was referred the bill (H. R 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The bill H. R. 1429, if enacted, will permit the War Shipping Administration as the employer of seamen serving on vessels owned or bare-boat chartered to the United States through the War Shipping Administration to pay the employers' pay-roll tax for old-age benefits without regard to the $3,000 limitation placed upon the amount of wages subject to that tax. The bill also relieves the War Shipping Administration from filing claims for refund of taxes paid on wages in excess of $3,000.

It will be recalled that in 1943 the Congress enacted legislation placing the services of seamen in the employ of the War Shipping Administration within the definition of "covered employment" as used in the Social Security Act, as amended, for the purpose of old-age and survivors' insurance, and directed the War Shipping Administration, as an employer, to pay the employer's pay-roll excise tax in accordance with existing law.

The bill is designed to overcome an existing administrative hardship in the War Shipping Administration arising out of the extent and character of that agency's operations. The War Shipping Administration is unable to enforce the $3,000 limitation in cases where seamen work for two or more general agents of the War Shipping Administration as its employees in the same calendar year without establishing

a central wage record office in Washington to maintain the wage records of all the seamen in its employ, check the records for the $3,000 limitation in each individual case, and prepare all the returns for seamen employed by it.

The War Shipping Administration estimates that the cost of operating such a central unit in Washington would amount to at least $150,000 to $200,000 a year. It estimates that the additional taxes which under the bill it may pay on wages in excess of $3,000 would amount to not more than $100,000 or a saving of $50,000 to $100,000 a year. The War Shipping Administration estimates that the cost of preparing and filing claims for refund of the employers' tax which it pays on wages in excess of $3,000 would be as great as the cost of establishing and maintaining the central wage unit.

The bill relates only to the War Shipping Administration as an employer and does not affect in any way the employee's tax or his benefits under the social-security program. The bill is a war measure which the War Shipping Administration feels will facilitate a more effective prosecution of the war effort. No change in the basic policy of the social-security laws is involved. Representatives of the War Shipping Administration appeared before the committee in support of the bill. The Treasury Department and the Social Security Board have no objection to its enactment.

A comprehensive statement of the purpose of the bill appears in the report of the House Committee on Ways and Means, which is attached hereto.

[H Rept. No. 34, 79th Cong., 1st sess.]

The Committee on Ways and Means, to whom was referred the bill (H. R. 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the employer States Maritime Commission, during the national emergency, to pay the employer's tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The purpose of the bill is to permit the War Shipping Administration as an employer of seamen serving on vessels owned, or bareboat-chartered to the United States, through the War Shipping Administration, to pay the employers' pay-roll tax for old-age benefits without regard to the $3,000 limitation placed upon the amount of wages subject to the tax. The bill is designed to overcome an existing administrative hardship in the War Shipping Administration, arising out of the extent and character of the operations of that agency.

In 1943, the Congress enacted legislation placing the services of seamen, in the employ of the War Shipping Administration, within the definition of "covered employment" as used in the Social Security Act, as amended, for the purpose of old-age and survivors' insurance, and directed the War Shipping Administration, as an employer, to pay the employer's pay-roll excise tax in accordance with existing law. The War Shipping Administration, however, has encountered considerable difficulty in observing the limitation that only the first $3,000 remuneration paid to any employee during a calendar year is subject to the employer's tax. The difficulty arises in cases in which a seaman, during the course of a year, serves as an employee of the United States on vessels operated by two or more general agents of the Administration. The first general agent for whom the seaman works is in a position to observe the $3,000 limitation on wages subject to the employer's tax. The second general agent, however, has no means of checking on the wages paid to the seaman earlier in the same year by another general agent of the Administration.

The War Shipping Administration cannot enforce the $3,000 limitation in cases where seamen work for two or more general agents in the same calendar year, without establishing a central wage record office in Washington to maintain the wage records of all the seamen in its employ, check the records for the $3,000 limitation in each individual case and prepare all the returns for seamen employed by it.

In all cases where a seaman is employed by one general agent throughout a particular calendar year the War Shipping Administration encounters no difficulty in observing the $3,000 limitation and advises it will not pay taxes on the amounts above $3,000 in such cases.

In addition to relieving the administrative difficulties outlined above, a substantial saving will be effected not only in money, but also in manpower by the enactment of the bill. While it is difficult to determine accurately the amount of savings involved, the War Shipping Administration has attempted to approximate the amount. The cost of operating a central wage record unit in Washington to insure the enforcement of the $3,000 limitation would amount to at least $150,000 to $200,000 per year, while the estimate on the additional taxes which, under the bill, it may pay on wages in excess of $3,000 paid to seamen in its employ would amount to not more than $100,000, or a saving of $50,000 to $100,000 per annum. In addition to the money involved, a central unit in Washington would require the use of calculating and business machines, which would have to be specially manufactured since there are none available on the market, and the employment of additional personnel, both in the manufacture and operation of these machines at a time when manpower is sorely needed in jobs more directly connected with the prosecution of the war. The figures used are merely estimates and approximations of variable factors with respect to which it is impossible to secure accurate figures and are contingent on the acquisition of the necessary machines and manpower to operate the central wage record unit.

The bill also relieves the War Shipping Administration from filing claims for refund of taxes paid on wages in excess of $3,000. It is estimated that the cost of preparing and filing claims for refund would be as great as the cost of establishing the central wage unit to check and insure the observance of the $3,000 limitation.

The bill relates only to the War Shipping Administration as an employer and does not affect the employee's tax or his benefits under the social-security program.

The bill will be effective during the period prior to the termination of the First War Powers Act of 1941, and is retroactive to services performed since September 30, 1941. It is a war measure which the War Shipping Administration believes will facilitate a more effective prosecution of the war effort. No change in the basic policy of the social-security laws is involved.

Representatives of the War Shipping Administration and of the Social Security Board appeared before the committee in support of the bill.

The following letters and attachments set forth more in detail the purpose of the bill:

JANUARY 5, 1945.

The Honorable SAM RAYBURN,
Speaker of the House of Representatives.

MY DEAR MR. SPEAKER: The War Shipping Administration respectfully submits proposed legislation to permit the War Shipping Administration and the United States Maritime Commission to pay the employer's tax imposed on wages under section 1410 of the Internal Revenue Code, without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code. This legislation will continue in force until the termination of title I of the First War Powers Act, 1941, and will apply to the employer's tax imposed on wages paid for services performed after September 30, 1941, and prior to the termination of title I of the First War Powers Act, on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or the United States Maritime Commission in case of employment by it prior to establishment of the War Shipping Administration.

Section 1426 (a) (1) of the Internal Revenue Code defines wages, taxable under the Federal Insurance Contributions Act, to mean the first $3,000 of remuneration paid to an individual by an employer with respect to employment during any calendar year. It is the view of the War Shipping Administration that the operation of this statute should be suspended for the war period because of the substantial cost required to apply it to wages paid by the War Shipping Administration and the Maritime Commission as employers of seamen.

In order to enforce the statute in its present form, the War Shipping Administration will have to set up a central unit at which it will maintain the personnel records of all seamen in the employ of the War Shipping Administration and the Maritime Commission. This central unit will also have to prepare the returns under the Federal Insurance Contributions Act covering the employer's and the employee's taxes on the wages paid to seamen in the employ of those agencies. This will necessarily involve a duplication of work at a cost which, in our opinion, will greatly exceed the amount of additional taxes which the War Shipping Administration and the Maritime Commission may have to pay, should the proposed legislation be adopted. Administrative and bookkeeping personnel engaged in such work could be released for duties more directly connected with the war effort and with the movement of vessels and vital war cargoes.

The proposed legislation also excuses the War Shipping Administration and the Maritime Commission from applying for refunds of the employer's taxes paid on wages in excess of the $3,000 limitation. The applications for refunds would, in our opinion, necessitate as much work and the application of as much time and effort as the proper enforcement of section 1426 (a) (1) would require at the present time.

There is attached a copy of (1) a draft of a bill to carry out the above purposes, and (2) an explanatory statement thereon.

The Director of the Bureau of the Budget has advised that there is no objection to the submission of this proposed legislation to Congress for its consideration.

Sincerely yours,

E. S. LAND, *Administrator.*

A BILL To permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1426 (i) of the Internal Revenue Code is amended by adding at the end thereof the following: The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for convenience of administration, make payments of the tax imposed under section 1410 without regard to the $3,000 limitation in section 1426 (a) (1), but they shall not be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code."

(b) The amendments made by this act shall be effective as if made by section 1 (b) (1) of the act entitled "An Act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes," approved March 24, 1943 (Public Law 17, 78th Cong.; 57 Stat. 45).

STATEMENT TO ACCOMPANY PROPOSED BILL TO PERMIT THE WAR SHIPPING ADMINISTRATION AND THE UNITED STATES MARITIME COMMISSION TO PAY THE TAX IMPOSED ON WAGES UNDER SECTION 1410 OF THE INTERNAL REVENUE CODE WITHOUT REGARD TO THE $3,000 LIMITATION IN SECTION 1426 (A) (1) OF THE INTERNAL REVENUE CODE

The proposed bill, if enacted, will permit the War Shipping Administration and the United States Maritime Commission to pay the employer's tax, levied under section 1410 of the Internal Revenue Code (the Federal Insurance Contributions Act), on wages paid to seamen in their employ without regard to the $3,000 limitation contained in section 1426 (a) (1) of the Internal Revenue Code. The proposed bill, if enacted, will remain in force until the termination of Title I of the First War Powers Act, 1941, and will apply to the employer's taxes imposed on wages paid for services, performed after September 30, 1941, and prior to the termination of Title I of the First War Powers Act on or in connection with any vessel by an officer or member of the crew as an employee of the United States employed through the War Shipping Administration, or in respect of such services performed after February 11, 1942, the United States Maritime Commission.

Section 1426 (i) of the Internal Revenue Code, added by Public Law 17, Seventy-eighth Congress, first session, provided for the inclusion within the scope of the term "employment," as used in the Federal Insurance Contributions Act, of services performed on or in connection with any vessel by an officer or member of the crew as an employee of the United States, employed through the War Shipping Administration or of the United States Maritime Commission. The statute covered retroactively wages paid for such services performed after September 30, 1941. The term "wages" was defined to mean such amount of remuneration as was determined by the Administrator of the War Shipping Administration to be paid to the seamen, to whom the section applied, for such services. The Administrator of the War Shipping Administration and such agents as he would designate were authorized and directed to comply with the provisions of the internal-revenue laws on behalf of the United States as the employer of the individuals whose services constituted employment by reason of section 1426 (i) of the Internal Revenue Code.

Section 1426 (a) (1) of the Internal Revenue Code is the source of the difficulty which the proposed bill seeks to remedy. The section defines wages taxable under the Federal Insurance Contributions Act to mean "all remuneration for employment, including the cash value of all remuneration paid in any medium other than

cash; except that such term shall not include (1) that part of the remuneration which, after remuneration equal to $3,000 has been paid to an individual by an employer with respect to employment during any calendar year, is paid to such individual by such employer with respect to employment during such calendar year."

The War Shipping Administration has no means at its disposal to determine when a seaman in its employ has reached the $3,000 limit with respect to employment in a particular calendar year. The manner in which the War Shipping Administration operates its vessels makes it impossible for such a determination to be made without the expenditure of a large sum of money; larger, in fact, than the additional employer's tax which the War Shipping Administration would have to pay if the proposed bill were enacted

Members of crews of vessels which are either owned by or bare-boat chartered to the United States, through the War Shipping Administration, are employees of the United States. Section 1426 (i) relates specifically to these individuals and to none other. The vessels upon which they serve are operated by the War Shipping Administration through designated agents referred to as general agents. The general agents are principally companies which had engaged in the water transportation business prior to December 7, 1941, and prior to the creation of the War Shipping Administration. The general agent, through his organization operates the vessels assigned to him under the general agent's form of service agreement. He arranges to crew the vessel, to supply it with food, fuel, and other vessel supplies, and to load and unload the cargo. He pays off the crew at the termination of the voyage after making all necessary tax deductions. The crew members he hires are not his employees; they are the employees of the War Shipping Administration.

Under the present method of handling the employer's and employee's taxes imposed by the Federal Insurance Contrbutions Act, the general agent at the conclusion of each voyage deducts the employee's tax from the wages paid to the seamen for services performed during the voyage, and arranges to turn over to the collector of internal revenue the taxes so deducted, together with the tax levied on the War Shipping Administration as employer. There is no assurance that a seaman, who signs off, will sign articles on the same vessel for a subsequent voyage, or that he will sign articles on another War Shipping Administration vessel operated by the same general agent. A vessel may come into port in need of repairs, and it may be laid up for a considerable period of time. Crew members, on signing off such a vessel, will, in all probability, seek employment on another vessel which may be operated by a private owner under a time charter arrangement with the War Shipping Administration, or by some other general agent for the War Shipping Administration. In the latter case they will continue to be employees of the War Shipping Administration.

Technically the $3,000 limitation in section 1426 (a) (1), Internal Revenue Code, applies to the wages paid or reported with respect to employment during the calendar year by the War Shipping Administration to an individual seaman whether he serves, during the calendar year, on one or several vessels operated for the War Shipping Administration through its general agents. It is, however, practically impossible for one general agent of the War Shipping Administration to obtain accurate information regarding the wages a seaman received with respect to employment during a particular calendar year for services performed on other War Shipping Administration vessels operated by general agents. The most that one general agent can possibly know with respect to such prior payments would take care of wages that the seaman might have earned on the same vessel or another vessel operated by the particular general agent.

In order to properly apply the $3,000 limitation to seamen employed by the War Shipping Administration, it would, in our opinion, be necessary to install a separate unit in Washington, charged with the responsibility of maintaining the personal wage records of every seaman in the employ of the War Shipping Administration through the general agents. In addition, the War Shipping Administration would have to take upon itself the duty of preparing, at this central office, the necessary returns required under the Federal Insurance Contributions Act. This would require the receipt of reports from all general agents of the War Shipping Administration, and the expenditure of substantial sums of money to maintain a unit to handle this particular job. It would involve a duplication of records and of work, since the general agent would have to maintain its own personnel records covering the same seamen, and would likewise have to make calculations of the amount of the employee's tax to be deducted from a seaman's wages before he signs off.

PAYMENT BY WAR SHIPPING ADMINISTRATION OF EMPLOYERS' PAY-ROLL TAX FOR OLD-AGE BENEFITS

The bill (H. R. 1429) to permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code was considered, ordered to a third reading, read the third time, and passed.

[PUBLIC LAW 21—79TH CONGRESS]

[CHAPTER 36—1ST SESSION]

[H. R. 1429]

AN ACT

To permit the Administrator, War Shipping Administration, and the United States Maritime Commission, during the national emergency, to pay the tax imposed under section 1410 of the Internal Revenue Code without regard to the $3,000 limitation in section 1426 (a) (1) of the Internal Revenue Code.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 1426 (i) of the Internal Revenue Code is amended by adding at the end thereof the following: "The Administrator, War Shipping Administration, and the United States Maritime Commission, and their agents or persons acting on their behalf or for their account, may, for convenience of administration, make payments of the tax imposed under section 1410 without regard to the $3,000 limitation in section 1426 (a) (1), but they shall not be required to obtain a refund of the tax paid under section 1410 of the Internal Revenue Code on that part of the remuneration of seamen in their employ not included in wages by reason of section 1426 (a) (1) of the Internal Revenue Code."

(b) The amendments made by this Act shall be effective as if made by section 1 (b) (1) of the Act entitled "An Act to amend and clarify certain provisions of law relating to functions of the War Shipping Administration, and for other purposes", approved March 24, 1943 (Public Law 17, Seventy-eighth Congress; 57 Stat. 45).

Approved March 24, 1945.