The yeas and nays were ordered, and the Chief Clerk called the roll.

Mr. SHIPSTEAD (after having voted in the affirmative). I have a pair with the senior Senator from Virginia [Mr. GLASS]. I learn that he has not voted. I am informed that if present the Senator from Virginia would vote "nay." Therefore I withdraw my vote.

Mr. AUSTIN. The Senator from California [Mr. JOHNSON] is paired on this question with the Senator from Rhode Island [Mr. GERRY]. The Senator from California, if present, would vote "yea," and I am advised that the Senator from Rhode Island would vote "nay."

I announce the following general pairs:

The Senator from New Hampshire [Mr. TOBEY] with the Senator from South Carolina [Mr. SMITH].

The Senator from New Hampshire [Mr. BRIDGES] with the Senator from Missouri [Mr. CLARK].

The Senator from Wisconsin [Mr. WILEY] with the Senator from Massachusetts [Mr. WALSH].

All of these Senators are necessarily detained, and I am not advised how any of them would vote, if present.

The Senator from New Hampshire [Mr. BRIDGES] is absent because of an operation.

Mr. BARKLEY. I announce that the Senator from Virginia [Mr. GLASS] is detained from the Senate because of illness. I am advised that if present and voting he would vote "nay."

The Senators from Alabama [Mr. BANKHEAD and Mr. HILL], the Senator from New York [Mr. MEAD], the Senator from Indiana [Mr. MINTON], the Senator from Wyoming [Mr. SCHWARTZ], and the Senator from New Jersey [Mr. SMATHERS] are absent on important public business.

The Senator from Louisiana [Mr. OVERTON] is detained at his home by a slight illness.

I am advised that if present and voting those Senators would vote "yea."

The Senator from Arizona [Mr. ASHURST], the Senator from New Mexico [Mr. CHAVEZ], the Senator from Missouri [Mr. CLARK], the Senator from Nevada [Mr. MCCARRAN], and the Senator from Indiana [Mr. VAN NUYS] are detained in Government departments on official matters.

The Senator from Florida [Mr. ANDREWS], the Senator from Iowa [Mr. HERRING], and the Senator from South Carolina [Mr. SMITH] are attending important committee meetings.

The Senator from North Carolina [Mr. BAILEY], the Senator from Michigan [Mr. BROWN], the Senator from Rhode Island [Mr. GERRY], the Senator from Iowa [Mr. GILLETTE], and the Senator from Illinois [Mr. LUCAS] are absent on important public business.

The Senator from Nebraska [Mr. BURKE] is absent on official business for the Committee on the Judiciary.

The Senator from Massachusetts [Mr. WALSH] is attending the exercises at the Naval Academy, and is therefore necessarily detained.

The result was announced—yeas 45, nays 23, as follows:

YEAS—45

Barkley	Green	McKellar	Russell
Bilbo	Hale	McNary	Schwellenbach
Bone	Hatch	Maloney	Sheppard
Borah	Hayden	Miller	Slattery
Capper	Holman	Murray	Stewart
Caraway	Holt	Neely	Thomas, Okla.
Clark, Idaho	Hughes	Norris	Thomas, Utah
Connally	Johnson, Colo.	Nye	Wagner
Donahey	La Follette	O'Mahoney	Wheeler
Downey	Lee	Pepper	
Ellender	Logan	Pittman	
Frazier	Lundeen	Reynolds	

NAYS—23

Adams	Danaher	Harrison	Townsend
Austin	Davis	King	Truman
Barbour	George	Lodge	Tydings
Bulow	Gibson	Radcliffe	Vandenberg
Byrd	Guffey	Reed	White
Byrnes	Gurney	Taft	

NOT VOTING—28

Andrews	Bankhead	Burke	Gerry
Ashurst	Bridges	Chavez	Gillette
Bailey	Brown	Clark, Mo.	Glass
Herring	McCarran	Schwartz	Tobey
Hill	Mead	Shipstead	Van Nuys
Johnson, Calif.	Minton	Smathers	Walsh
Lucas	Overton	Smith	Wiley

So the amendment of Mr. NORRIS was agreed to.

The PRESIDING OFFICER. The bill is still before the Senate and open to further amendment.

Mr. BORAH. Mr. President, I ask the Senator from Mississippi [Mr. HARRISON] or the Senator from Michigan [Mr. VANDENBERG] to state a little more fully—and I am frank to say it is for the RECORD—the object of this proposed amendment to the Second Liberty Bond Act. It seems on its face to state a purpose which all of us ought to understand; but what is it intended that the Secretary of the Treasury may do or is going to do under this proposed amendment?

Mr. HARRISON. Mr. President, I will say to the Senator that a year ago, when legislation was enacted fixing the debt limit at $45,000,000,000, the partition then was $25,000,000,000 of long-term paper or bonds and $20,000,000,000 of short-term paper, Treasury notes, and so forth. In 1938, at the request of the Secretary of the Treasury, we passed legislation which increased the limitation on bonds to $30,000,000,000, leaving at $15,000,000,000 the amount of short-term notes, Treasury notes, and so forth, that could be issued and maintaining the debt limit at $45,000,000,000.

I can best answer the Senator's inquiry by reading the recommendation of the President. In the last paragraph he says:

> I recommend that the Congress take such action as may be necessary to give the Treasury the authority which will enable it to carry out its financing operations during the next fiscal year as may be for the best interest of the Government in line with market conditions at the time of such financing.

And the Secretary of the Treasury stated:

> In order that the Treasury may be in a position to take advantage of favorable market conditions and not be forced to confine all of its financing operations to short-term obligations, I strongly urge that a recommendation be made to the Congress that the limitation of $30,000,000,000 on bonds be eliminated entirely so as to give the Treasury the flexibility it needs for its financing operations during the next fiscal year.

I may say further to the Senator that within the $30,000,000,000 limitation the Treasury now may issue bonds to the extent of only $1,697,000,000. They may still issue, under the law as it now exists, $5,043,000,000 of additional public-debt obligations. When the Secretary of the Treasury appeared before the Finance Committee last week, he stated that in the near future he had to refund over $980,000,000 of Treasury notes, and he wanted to do it by issuing Treasury bonds, contending that it was better for the Government to do so. The Secretary stated that he desired to issue securities best suited at the time to meet the conditions of the market and the needs of the Government.

I may say that the question has arisen in the committee, advanced by the Senator from Michigan [Mr. BROWN], who is not here temporarily, and I think by the Senator from Texas [Mr. CONNALLY], that if it is now advocated by the administration that a tax on future Government securities be enacted into law, it is somewhat of an inconsistent policy for the Government at this time to want authority to issue additional bonds, which naturally would be tax exempt. But the answer to the question of the Senator from Idaho is that the Treasury expects soon to have to refinance a considerable amount of short-term paper, and from a Government standpoint it would be advantageous to be able to issue Treasury bonds rather than Treasury notes.

Mr. BORAH. This bill does not increase the debt limit?

Mr. HARRISON. It does not. In that connection, I may say that I have not been at all in sympathy with increasing the national debt over the $45,000,000,000 limit now in the law. When I was approached on the question, I vigorously expressed my opposition to any increase at this time in the present limitation; but I can see no objection to removing the partition which exists in the present law. If the Treasury authorities, from a financial standpoint, feel they can issue long-term Government bonds more advantageously to the Government than they can issue short-term paper, I think we ought to give them the authority. That is all this bill does.

Mr. CONNALLY. Mr. President, will the Senator from Idaho yield? I do not wish to interrupt him.

Mr. BORAH. I think that is all I have to say. This bill does not, as I see it, in any way affect the question of tax-exempt securities.

Mr. HARRISON. It does not. I stated what I did merely because the theory was advanced that it was somewhat inconsistent at this time for us to promote the issuance of long-term tax-exempt securities when at the same time we propose to put a tax on future securities. That question is not dealt with in this bill, however.

Mr. BORAH. We have not been very anxious about the taxation of securities so far as the Federal Government is concerned, because twice we have rejected proposals to tax them. It is only when it is a question of taxing State securities which are now exempt that we have manifested great interest in the matter. We have unquestioned power to tax Federal securities, but under the advice of the Treasury we refuse to do so. It is when a doubtful question arises as to taxing State securities that we become deliriously anxious.

Mr. HARRISON. In that connection, I will say to the Senator that, of course, there is a large group of American citizens and a large group of Members of both bodies who believe that when we begin to tax future issues of Federal securities we ought at the same time to tax future issues of securities of States, counties, and so on. In my opinion, the matter should be handled as one proposition. I have been assured by Members of the House that they are going to begin to consider the question at this session, unless the pressure is strong enough to force an adjournment before they can do it.

Mr. BORAH. There is no question now, is there, about the power of the Government to tax Federal securities?

Mr. HARRISON. I do not think so.

Mr. BORAH. I not only do not think so but I know so.

Mr. CONNALLY. They are now being taxed. All of them pay surtaxes, except the old 3½-percent wartime bonds.

Mr. BORAH. Certainly.

Mr. CONNALLY. Mr. President, in connection with what the Senator from Mississippi said about the reason for the Treasury's action in asking that this authority be granted, let me ask the Senator from Mississippi if it is not true that the position of the Treasury is that while they get cheaper money right now on short-term Treasury notes than on bonds there is such a large volume of the short-term notes, and they accumulate so rapidly, that the Treasury feels that it would be unwise not to refinance them over a longer period and avoid any danger of the money market rapidly enhancing and catching them with this large volume of obligations that they would have to pay. They might then have to issue long-term bonds at a higher interest rate than they would be able to issue them for now.

Mr. VANDENBERG rose.

Mr. CONNALLY. At the present time the money market is quite low; and the Treasury, I think rather wisely, have concluded that since inevitably they are going to have to refinance the short-term paper with long-term issues, they had better do it now, while the market is low, rather than run the danger of the market enhancing.

I yield to the Senator from Michigan.

Mr. VANDENBERG. Mr. President, I think the Senator has now stated the precise reason which moves the Treasury, and I think he has correctly stated it.

Mr. CONNALLY. I think that was the reason which appealed to the Committee on Finance—that for the moment we are getting cheap money through short-term securities, but that that condition is not apt to continue indefinitely; and the Treasury felt that we had better refinance now, while the market is low, and put the obligations in long-term securities, which would not force the Government to a settlement at some critical period.

Let me say to the Senator from Idaho, regarding the taxability of these bonds, that while of course there is nothing in this bill relating to the subject, some members of the Finance Committee thought it was a rather inconsistent policy for the Federal Government to go ahead and issue all these tax-free bonds of its own, and then enact legislation providing, so far as State bonds are concerned, that future issues would be taxable, but all the great mass of Federal indebtedness that has already been accumulated would be exempt. That is what the Senator from Mississippi had in mind. As a matter of fact, there never has been any reason why the Federal Government should not tax the income from its own securities.

Mr. BORAH. Except that we were not willing to do it.

Mr. CONNALLY. Exactly. The Treasury officials do not want to tax these bonds, and they said so in the hearings. I said, "Why not?" They said, "Well, it will cost us more interest. The Government will either have to sell the bonds for less, or we shall have to pay a higher interest rate. Therefore, we do not want to do it now. We are going to do it sometime, but not now."

Mr. BORAH. That is what they said on two different occasions when we had a tax bill before us.

Mr. CONNALLY. Exactly.

So far as I know, the only securities of the Federal Government which are entirely tax-exempt at the present time, if there be any of them still outstanding, are the old 3½ percent bonds which we issued during the World War. They were free of all tax; but, as I now recall, all other Federal securities are subject to surtax.

Mr. NORRIS. Mr. President, if the Senator will yield——

The PRESIDING OFFICER. Does the Senator from Texas yield to the Senator from Nebraska?

Mr. CONNALLY. I yield.

Mr. NORRIS. Let me ask the Senator if it is not true that all the 3½-percent bonds of which the Senator speaks have been paid off.

Mr. CONNALLY. It may be that they have been.

Mr. NORRIS. I am not sure, but that is my impression.

Mr. CONNALLY. I am not sure, either. I have not any of them. I wish I had; but I have not any, so I cannot tell the Senator. I rather suspect, however, that all the wartime 3½-percent bonds have been paid off. Therefore, all the other outstanding bonds are now subject to the surtax, not to the normal tax. In some cases there are exemptions on the interest up to $5,000 worth of bonds; but they are all subject to some form of surtax, and they are subject, if we want to impose it, to normal tax; but the Treasury has never felt that it is good business to do so.

With regard to the 3½-percent bonds, I call the attention of the Senate to the fact that when we had up in the House some years ago a constitutional amendment proposing to tax all Federal and State securities, the Treasury statistics showed that the 3½-percent bonds, entirely tax-free, were selling above par, and that the 4's and the 4¼'s and the 4½'s and the 4¾'s, subject only to the surtax, were all away down below par; and therefore the Treasury felt that if future issues were taxed the Government would have to pay a higher rate of interest or the public would not buy them.

Mr. BORAH. Mr. President, it seems to me a great deal of insincerity is manifested in connection with the question of taxing Government securities. We have always had the power—no one ever doubted that, I suppose—to tax the securities of the Federal Government; but we have never been willing to do so, except as to surtaxes, because we thought it would cost the Federal Government more to get the money. Now we are making quite a disturbance over a proposal to prepare to tax State securities and all State instrumentalities, and so forth, when we have been unwilling to tax the securities of that sovereignty which has the power to tax.

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

Mr. BORAH. I yield.

Mr. NORRIS. I agree with what the Senator has said; but I think it ought to be stated that one reason why we passed a law which permitted, for instance, $5,000 in the hands of any one person to be exempt from all taxation, even the surtax not applying, was with the idea of causing a wider investment and circulation in those bonds among comparatively poor people. We could pass a law, if we taxed the State securities, containing the same exemption, if we desired, if we thought it advisable, and thought it would result in more people of moderate means investing their savings in that way. We could exempt from taxation up to any limit we saw fit, and then tax the balance as we have done.

Mr. BORAH. I am not prepared to challenge the statement of the Senator as to the reason or as to the wisdom of the policy. I am very much in favor of taxing securities, but I am in favor of the Federal Government taxing its securities and of the State government attending to its securities. If that course is followed, no constitutional inhibition will stand in the way of our proceeding to tax these securities. But, while the power to tax goes unused, the power which we do not possess or which it is most doubtful we possess, gives rise to great zeal. If this proposition to tax securities were stripped of its unrealities, we would have little difficulty in doing the wise and just thing.

Mr. AUSTIN. Mr. President, the Senate has a special committee which has studied this subject recently, and, bringing the matter up to date, I wish to say that before that committee representatives of the Government of the United States appeared and admitted, as recently as within 3 months, that the cost to the Government of financing its operations in bonds which are taxed is greater than in the case of bonds which are exempt. So that, as a matter of policy, to say nothing about the principle involved, the Government thus far is not interested in waiving the immunity.

Mr. CONNALLY. Mr. President, I suggest to the Senator from Vermont, and also to the Senator from Idaho, that back of this theoretical taxation of both Federal and State securities the chief desire is to tax county and State securities. It had its genesis largely in the days of Mr. Mellon—and I speak respectfully of Mr. Mellon, who was a great financier. But when he was Secretary of the Treasury he advanced and advocated, and testified before the committee in favor of, a constitutional amendment making it possible for the Government to tax both Federal and State securities and permitting the States to tax Federal securities. The theory advanced, not openly but all around the lobbies of the Congress, was that industrialists were opposed to leaving State bonds free of taxation because they competed so successfully with railroad and other industrial securities. They said it was driving money out of productive channels and into unproductive channels and was unfair competition; that if we would put a tax on State, municipal, and county bonds there would be a more nearly equal balance.

Mr. Mellon, who cannot be regarded as having been a radical, was the one who was advancing the theory of grabbing the swollen fortunes which were wrapped up in tax-exempt bonds. He was the chief proponent. He appeared before the committee in the House and his testimony is still on record. As I now recall—I may possibly be in error—he said that if we taxed Federal securities there would be an increase of at least 1 percent in taxes each year. He may have said one-half of 1 percent—I do not desire to be unfair—but, as I recall, he said that according to his view the increase would be 1 percent a year. At any rate, whether it was one-half or 1 percent a year, it can readily be conceived how much that would amount to on any sizable bond issue running over a period of 15 or 20 or 25 years. There is more desire on the part of the Treasury to tax State bonds than to tax Federal bonds because they do not advocate taxing Federal bonds. They are going to do it some time or other in the future, but what they want to do is to tax State, municipal, and county bonds.

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

Mr. CONNALLY. I yield.

Mr. BORAH. It will be recalled that when the Federal income tax amendment was proposed, it was proposed and urged by many who did not believe in an income tax at all. It was urged because it was thought that if the Supreme Court should modify its opinion, having rendered a 5-to-4 opinion, we would have the power without constitutional amendment to enact an income tax law. It was believed that if a constitutional amendment were submitted and we depended upon a constitutional amendment, it would never, in all probability, be adopted. I know that as a matter of fact, because I participated in the consideration of the matter at that time.

At the present time there are a great many people who are very anxious about this income tax constitutional amendment, knowing full well that we have the power now, so far as the Federal Government is concerned, to do everything we are talking about doing, but which we have never been willing to do. Twice after an amendment had been attached to a tax bill it was killed in conference, and killed under the direction, as I was informed, of those who are now urging a constitutional amendment. I happened to be the author of both these amendments and was fully informed as to why they were defeated in conference.

Mr. CONNALLY. I thank the Senator. I do not know about the details of that, but I seem to recall that the Senator from Idaho offered and secured the adoption in the Senate of an amendment of that character, but that it went out of the bill in conference.

Of course the Federal Government has, and has always had, the power to tax its own securities, and it will continue to have that power. It is just a question of whether it wants to do it or whether it does not. My own view is that, in order to tax State securities we will have to have a constitutional amendment. But the Finance Committee has been investigating that subject; it has not as yet reported, but I understand it probably will report that Congress can do it by statute. I do not think it can, but of what value is a Senator's opinion when the Supreme Court may decide he is wrong?

Mr. AUSTIN. I know there will be a minority report if the majority shall report such a bill. The committee certainly would not agree unanimously that we have the constitutional power to tax the securities issued by States and municipalities.

Mr. CONNALLY. I thank the Senator; and along that line I desire to say that the recent decision of the Supreme Court upholding the tax on the salaries of State officers does not foreclose the question with respect to the tax of income from bonds, because in the one case the Court held that an incidental tax on a State official's salary was not a burden on the State, but that cannot be said of a tax on a State's own securities, because there would be at least some degree of burden on the activities of a State, if we taxed its securities.

Mr. BORAH. Neither the decision of the Supreme Court with reference to salaries, nor the decision to which the Senator has referred, seems to me to touch the question of whether or not we have the power to tax State securities.

Mr. CONNALLY. Not at all.

Mr. BORAH. It is still an open question, for Congress.

Mr. CONNALLY. I was speaking of the taxing of State securities.

The PRESIDING OFFICER. The bill is still before the Senate and open to further amendment. If there be no further amendment, 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 (H. R. 5748) was read the third time and passed.

NECESSITY OF GOVERNMENT AID IN FURNISHING FOOD

Mr. BONE. Mr. President, no one is going to starve in this country, according to many usually well-informed Senators who have spoken from time to time on this floor. So far as I can recall, on every occasion when someone has suggested that reduction in relief expenses is causing or would cause actual starvation in many families throughout the country, the statement has been challenged, and some Senator would rise and say, "Show me an instance where anyone is actually in want of food."