

Tuesday, November 9, 1926.

Report of the Newspaper Conference.

Three interrogations have been presented inquiring about the object of the luncheon that I am having with 6 or 8 Senators. It hasn't any Government object. It is social in its conception. I should prefer to have members of the House and Senate come to lunch rather than to Breakfast, but as you know the House and Senate are in session at 1:00 o'clock, so that if I am going to see members of the House and Senate in a somewhat informal way socially I have to have them come to breakfast. Dinners are rather more formal occasions. So it has been my practice in the past to have the members of Congress and others drop in to breakfast. Congress isn't in session now. I am leaving tonight as you know for Kansas City. I wanted to see some of the returning Senators before I went away, so I have asked them to come in to lunch. Of course whenever members of the Senate assemble in that way and I sit down with them, quite naturally we ~~xxxfer~~ refer usually rather incidentally to Government questions. I usually inquire whether there ~~ix~~ are any ideas that any of them have they would like to express to me and the other people that are in attendance, and oftentimes I find it very helpful to me.

Here is a very interesting reference to a speech made by Stanley Bruce, the Australian Premier, as I understand it, at the Imperial Conference which is now being held in London, suggesting some closer cooperation between the United States and the British Empire for the purpose of further insuring the peace of the world. It goes on to say that it is thought perhaps that the next

Imperial Conference might be held in Ottawa and that some members of the Foreign Relations Committee of the Senate might be interested to attend it. Of course that is a question entirely for the Senators themselves to decide. I rather doubt if they would look on a proposal of that kind with favor. We are doing what we can to promote the peace of the world, increasing our trade relations, giving other people a chance to earn a living. The British Empire, I judge, is doing the same thing. While I haven't seen the speech of Mr. Bruce, the Australian Premier, I don't know of anything that could be done by anything like international covenants to bring about any better peace relations over the world than we now have, speaking of a covenant between the British Empire and the United States. So while, as I say, that is an interesting suggestion, and I suppose it is the expression not only of a desire but a commendation of a condition, the commendation of a condition will find hearty response here. I doubt if there is any practical method of taking action we are not already taking.

I noticed that Mr. Mellon yesterday issued a statement in relation to a possible tax reduction. That has necessarily been somewhat indefinite because no figures have been prepared that could be considered as final and of course no final plan has been worked out. I always keep in mind that the question of revenue and taxes is peculiarly a question for the House of Representatives. They initiate it and I shouldn't want to reach any final conclusion without a conference with members of the House, that would be especially the Committee on Ways and Means. I think they are here in Washington now working on some other questions. Very likely they will consider this question. It would be most unfortunate

if the questions of the finances of the Government, especially taxation, should become involved in any partisan dispute. It is pretty purely a business proposition. While perhaps it can't be demonstrated quite so clearly and conclusively as a proposition in geometry, yet it is very largely a question of figures, how much surplus we have, what reductions can be made or rebates. We made a rebate in the tax bill that went through in the Spring of 1924, as I recall it, of 25% that applied to the income taxes that were to be paid during that year and it was with the recollection of that precedent that it occurred to me that something might be done analagous to that at the present session. Our session is a short session. In 1924 we began when the Congress assembled, but the tax bill wasn't passed until very late the next Spring, not very long before the adjournment took place, which was just before the National Convention the first week in June. Now, it is quite apparent that if this question becomes involved in any political controversy that it would be very difficult to secure relief for the country and it seems to me therefore that that ought to be avoided at all hazards and that the same course ought to be pursued that we pursued last year so successfully, of a conference together of the members of the Ways and Means Committee of the House without respect to the party to which each belongs and in that way a bill was presented that I think was sound and very much the same process was adopted in the Senate. I don't see any reason why something of that kind shouldn't be done this year. I think I referred to the excellent plan^t of cooperation between the two parties in my message to Congress last year, commending the members of both parties that have worked together so harmoniously, and I think that it ought to be possible to secure a similar co-

operation at the coming session. I understood from Mr. Mellon's statement that it ~~was~~ didn't seem possible to make any arrangements that could go into effect before the 15th of December. That would simplify the problem, because then it is simply a problem of how much reduction is to be made on the returns that come in after the first of January and on which payments begin on the 15th of March. Now, it may be that when this is all considered and the arguments for it and against it are all brought in that it will not appear to be feasible. It seems to me now that it will be feasible, because it won't take much time. It will require only a short bill. If a general agreement could be reached on it, it could be adopted very speedily. Last year the tax bill was passed just about the first of March, but it takes a long time to work out a detailed and regular tax reduction bill. That matter had been under careful consideration and study for months before Congress assembled. That hasn't been the case now. The Treasury has been doubtful about the amount of revenue it would receive and therefore doubtful about the amount of reductions that could be made. If some plan of this kind can be adopted, it could be speedily enacted and would give general relief to the whole Country. You will recall that last year's bill, or this year's bill, removed the tax on corporation capital stock, what is known as the capital stock tax, and for the purpose of insuring sufficient revenue it increased the rate on corporation income. If they had known just how the revenue would come out, I think perhaps they would not have made that increase on corporation income. It also relieved about 2,000,000 people in the United States from paying any tax whatever. Now, the corporation tax I judge is pretty well

distributed over the Country. I am told there are about 20,000,000 security holders who must pay a tax, it may be small, on the income from their securities. And it is distinctly a positive, rather than a negative tax. When you come to the other taxes, they are more or less voluntary. If we decide to buy an admission ticket, we pay an admission tax. If you don't wish to buy an admission, why we don't have to pay the tax. A good many taxes are somewhat of that nature, they are voluntary rather than compulsory, but these taxes on income are compulsory. As I say, there are a good many million people in this country that come under that designation and if you add to those the ones that are interested in life insurance and would be benefited by anything that might be of benefit to the securities that are held by life insurance companies, savings banks, and everything of that kind, you see that the income tax has a very broad base, even when it is applicable only to very fair-sized incomes. While it would be a little more satisfactory, if the reduction is to be made, to work out a plan by which it would apply to practically everything, I doubt if that can be done and this plan is about the only feasible one that has occurred to me up to the present time.