

● PSF Neutrality - 1935 - 1938 - Subject File Box 160

Box 160

1. PSF  
Neutrality

REPORT

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April 1, 1935

The United States Senate Special Committee Investigating the Munitions Industry, pursuant to Senate Resolution No. 8, (Seventy-Fourth Congress, First Session), wishes to make the following preliminary report:

I. The Committee has examined 116 witnesses, taken 3502 pages of testimony and exhibits, and has spent 62 days in the discussion of that testimony. It has consulted with a considerable number of Government Departments in executive session.

II. The Committee is in substantial agreement on a very thorough plan to take the profits out of war and to equalize the economic burden of war, and expects to report on this subject to the Senate legislation on the matter in the immediate future, and for action in the present session of Congress. This relates to the actual period of war only. The presentation of this report and the legislation covers one of the three major obligations imposed upon the Committee.

III. The Committee is emphatically convinced that no bill which contains only general authorizations to the President to fix prices, or to commandeer industry or to arrange for priorities and licensing is at all adequate "to equalize the burdens and take the profits out of war."

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IV. The Committee is in substantial agreement on a principle to govern the export of munitions and contraband in case of a major war, and expects to make certain recommendations to the Senate on this subject in the immediate future and for action in the present session of Congress. This is the only phase of the neutrality problem which the Committee considers to be within its jurisdiction.

V. The Committee has investigated in detail the foreign sales activities of certain munitions companies and the significance of the methods used in the industry. This study is not yet completed. When it is completed the Committee will have definite recommendations to make for the control of the industry in peace-time.

VI. At the moment the Committee looks with interest and sympathy on the efforts of the American Government to secure agreement on more rigorous international control of the arms traffic, and believes that the United States Senate should be glad to consider cordially an international convention based on the general broad outlines of control now known as the American draft convention.

VII. The Committee also expresses its interest in and support of a Constitutional Amendment to eliminate tax exempt bonds because it finds this exemption to be an inevitable and unjustified loophole in respect to the conclusive control of war profits.

VIII. The Committee has taken considerable testimony on the increased costs and profits of the industry engaged in naval ship-building for the Government. The Committee expects to close its hearings on this subject in April and to report as promptly as possible thereafter. Hundreds of millions of dollars are involved in the present system of naval building, and evidence of collusion is under consideration.

IX. The Committee has heard a great amount of testimony covering Government aid in support of the private munitions makers in their domestic and foreign business. It requests ample time to continue this investigation, and to make its findings constructive and conclusive.

X. The Committee has heard sufficient evidence concerning the interchange of military information to begin its report on this subject.

XI. The Committee has heard a considerable amount of evidence on the part taken by munitions makers in embargoes and international conferences and international policy. It requests ample time to complete its studies of this subject.

XII. In addition to subjects already listed as in preparation, the Committee has yet to finish its study of the profits and interest of the banking group in the munitions business during and since the war. The Committee earnestly desires to progress with this study.

XIII. The Committee has not yet finished its study of the influence of certain other large groups on the nation's munitions policy and foreign policy, including the chemical warfare companies, the steel companies and the airplane and machine gun companies. No munitions investigation can be considered reasonably adequate and complete unless this field is conclusively studied, with a view to adequate protection of the public interest.

XIV. The Committee has also heard and analyzed a great mass of evidence on the industrial conduct and control during the World War and has had referred to it certain Army bills intended to mobilize industry and manpower effectively in any future war. The Committee believes it should continue hearings on the subject matter of these bills before reporting on them.

XV. The Committee has been unable so far to engage in a thorough study of one obligation laid upon it by the Senate, that of the practicability of the Government's purchasing and owning munitions plants. A study of the number and cost of plants necessary for peace-time production is a feasible study although involving a very considerable engineering personnel which the Committee is now in no position to obtain.

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XVI. The Matter of these further studies will be discussed in the Senate later at a time when the Committee will have presented the first of its legislative recommendations, and the Senate must then determine whether an additional and final appropriation shall be made available to implement these final investigations.

U. S. SENATE SPECIAL COMMITTEE ON MUNITIONS

SUMMARY OF EMERGENCY WAR TIME ACT

TITLE I

Tax Provisions

Sec. 1 - The Act is to be known as the Emergency War Time Act. It is to be effective only during the period of a war.

Sec. 2 - Most of the purely mechanical sections of the Revenue Act of 1934 are adopted to cover administration and technique.

Sec. 3 - A normal tax of 6 per cent is levied on all individual incomes in excess of the credits against net income provided in Sec. 25 of the Revenue Act of 1934 as modified in the present Act.

Sec. 4 - Surtaxes on individual incomes in excess of \$3,000. These range from 10 per cent of the income in excess of \$3,000, but not in excess of \$5,000 up to \$2,800 upon incomes of \$8,000 but not in excess of \$10,000. On all incomes in excess of \$10,000 the surtax is 94 per cent of the excess.

Sec. 5 - This section levies an income tax upon every corporation income included in the taxable description of Section 701 of the Revenue Act of 1934, equal to 50 per centum of such portion of its net income as is not in excess of 6 per centum of the adjusted declared value of the capital stock (or in the case of a foreign corporation the adjusted declared value of capital employed in the transaction of the business in the United States); plus 100 per centum of its net income as in excess of its capital stock. The valuation of corporations for excess profit tax purposes is that which has been filed by such corporations under Section 701 of the Revenue Act of 1934 relating to Capital Stock Taxes.

These income taxes are levied on an annual basis but must be reported quarterly and paid within a month of the quarter in which they are earned. Adjustments can be made in the last quarter.

Sec. 6 - Numerous references to the Revenue Act of 1934 are made and this section defines meaning of cross references.

Sec. 7 - This tax act shall become operative immediately upon the declaration of war and remain in force until the emergency is declared at an end by Congress.

Sec. 8 - This deals with the subject of deductions permissible under the war time tax act. They are much more severe than deductions in the peace time revenue acts. Deductions for depletion, exhaustion and depreciation are strictly limited. No deductions are permitted for amortization until the expiration of the war.

Sec. 9 and 10 - Provide methods of payment of tax.

Sec. 11 - Provides penalty taxes for deliberate diminution of tax payments.

Sec. 12 - Provides surtaxes on corporations improperly accumulating surpluses.

The remaining sections, after imposing prohibitive taxes on personal holding companies during the war, outline exemptions, credits, etc.

Unmarried persons will have a credit of \$500. Married persons will have an exemption of \$1,000 and \$100 for each dependent. Husband, wife and minor children must make a single return.

TITLE II

An Industrial Management Board is set up.

On declaration of war it shall immediately carry out a draft of all persons engaged as officers or directors of a corporation or persons in policy-forming positions in such corporations. They will be registered first by boards set up after the model of the combat draft boards. The President may, when such industry is declared to be essential to the war, cause such officers to be inducted into the armed forces of the United States. They will continue to remain with their respective corporations, but will be prohibited from accepting any other compensation than that paid by the Army, and shall have rank and compensation appropriate thereto, not exceeding that of brigadier-general and shall be subject to military law and punishable under it, and may be at the will of the government shifted from the Industrial Management Corps to the combat corps of the army and thus removed from their civilian posts. But the army and the government are given no powers over the internal management of the industry.

TITLE III

A Commodities Control Commission is provided for with power to close all commodity exchanges, to fix the prices of all commodities, to prohibit the sale of such commodities to persons other than the government, to provide for purchasing the whole output of any commodity industry and to allocate such commodity to processors as the Commission may deem necessary for the conduct of the war.

TITLE IV

The President is given power to close all security exchanges and to issue rules covering the sale of securities at private sale for the duration of the emergency. These are in addition to the powers conferred by the Securities Exchange Act.

TITLE V

In the field of war financing, a securities commission is established with power to approve or disapprove all new issues of private securities during war time. The approval of the securities commission is a prerequisite to registration of any security for sale under the Securities Act. The commission has power to take over for itself the financing of war industry, and an additional half billion dollar fund is established for that purpose. Commercial transactions for short terms are exempted from the provisions of the act, as are resales and exchanges. All approvals and financing are made public records under the bill. The commission is specifically released from any responsibility for the approval of the value of any security approved for sale.

TITLE VI

The President is empowered to fix prices for any article, on a pre-war or regional parity, to establish priorities in sale and use of articles, and to conscript the use of property deemed essential to the successful prosecution of the war. The bill deals with property of all types, real and personal. Owners who lose property rights through the operation of these provisions are entitled to compensation in a fixed manner after judicial proceedings. As an adjunct to his other war time powers, the President is authorized to license industries and fix the conditions for issuance of licenses in businesses or industries related to the prosecution of the war. The President is also authorized by executive order to prevent the waste and hoarding of commodities and goods and to enjoin profiteering.

TITLE VII

Severe penalties, reaching to a maximum sum of \$100,000, are imposed for violation of the terms of the bill.

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[COMMITTEE PRINT]

Neutrality

APRIL 2, 1935

74TH CONGRESS  
1ST SESSION

S.

IN THE SENATE OF THE UNITED STATES

APRIL —, 1935

Mr. \_\_\_\_\_ introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

A BILL

To provide revenue and facilitate the regulation and control of the economic and industrial structure of the Nation for the successful prosecution of war, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

STATEMENT OF INTENTION

4 It is hereby declared to be the intention of Congress  
5 that no person subject to the jurisdiction of the United States  
6 shall profit in any manner whatsoever from the conduct of  
7 any war to which the United States is or may be a party.

8 It is the intention of Congress to protect the economic  
9 organization of the Nation from the disturbances due to  
10 war in order that such economic organization may be en-

1 abled to function at the highest efficiency in support of the  
2 armed forces and other agencies engaged in the prosecution  
3 of war.

4 It is the intention of Congress to protect the economic  
5 organization from the inflation of prices, wages, earnings,  
6 profits, and the consequent destructive deflationary collapse  
7 which follows the actual ending of military and naval  
8 operations.

9 It is the intention of Congress that the expenditures  
10 to the successful conduct of the war and the protection of  
11 the economic organization in the emergency shall be made  
12 out of current revenues and that any private interest con-  
13 flicting with the Government's war objectives and opera-  
14 tions shall be for the duration of the war subjected to the  
15 supervening necessities of the public interest in successful  
16 prosecution of war.

17 It is further declared to be the intention of Congress  
18 that in the event of war all technical and industrial resources  
19 shall be mobilized for the successful prosecution of such  
20 war, and that industrial management shall be subject to  
21 enlistment and conscription for the successful prosecution  
22 of war in the same general manner as combat man power  
23 has been and is subject to enlistment and conscription for  
24 the same purposes.

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## TITLE I

## TAX PROVISIONS

- 1  
 2  
 3 SECTION 1. SHORT TITLE.—This title may be cited  
 4 as the "Emergency War Time Tax Act."  
 5 SEC. 2. INCORPORATION AND REENACTMENT OF  
 6 PRIOR ACT.—All provisions of titles I, IA, V, and VI of  
 7 the Revenue Act of 1934, as in effect on March 15, 1935,  
 8 are hereby incorporated and made a part of this title, and

1 reenacted as of the effective date of this Act, whether or  
2 not they may otherwise be in effect as of such date and  
3 regardless of any amendments made subsequent to March  
4 15, 1935, except those provisions obtained in the sections  
5 and subsections listed in schedule A annexed hereto, which  
6 annexed sections and subsections are not herein incorporated  
7 nor made a part of this Act nor in any respect reenacted  
8 hereby, except as expressly provided hereafter, and which  
9 annexed sections shall be superseded as of the effective date  
10 of this Act.

11 SCHEDULE A

12 The following sections and subsections of Title I of  
13 the Revenue Act of 1934: Sections 11, 12, and 13; sec-  
14 tion 22, subsections (b) and (3); section 23, subsections  
15 (a), (b), (j), and (n); section 25, subsections (a) and  
16 (1); section 25, subsections (a) and (4); section 25, sub-  
17 sections (b) and (1); section 47, subsection (d); section  
18 51; section 53, subsections (a) and (1); section 56, sub-  
19 sections (a) and (b); section 63; section 102, subsection  
20 (a); section 115, subsection (f); section 185; section 272,  
21 subsection (a); section 321.

22 The following sections and subsections of title IV of  
23 the same: Section 351, subsection (a); section 351, subsec-  
24 tion (b) and (2) (B).



1       \$200 upon surtax net incomes of \$5,000; and upon  
2 surtax net incomes in excess of \$5,000 and not in excess of  
3 \$6,500, 30 per centum in addition of such excess.

4       \$650 upon surtax net incomes of \$6,500; and upon  
5 surtax net incomes in excess of \$6,500 and not in excess of  
6 \$8,000, 50 per centum in addition of such excess.

7       \$1,400 upon surtax net incomes of \$8,000; and upon  
8 surtax net incomes in excess of \$8,000 and not in excess  
9 of \$10,000, 70 per centum in addition of such excess.

10       \$2,800 upon surtax net income of \$10,000, and upon  
11 surtax net incomes in excess of \$10,000, 94 per centum in  
12 addition of such excess.

13       SEC. 5. (702 (a)). TAX ON CORPORATE INCOMES.—

14 (a) There is hereby imposed upon the net income of every  
15 corporation included within the taxable description of sec-  
16 tion 701 of the Revenue Act of 1934, for each income-tax  
17 payable year or portion of a year during which this Act  
18 is in effect, an income tax equal to the following:

19       Fifty per centum of such portion of its net income as  
20 is not in excess of 6 per centum of the adjusted declared  
21 value of its capital stock (or in the case of a foreign cor-  
22 poration the adjusted declared value of capital employed in  
23 the transaction of its business in the United States) as at  
24 the close of the preceding income-tax taxable year (or as

1 of the date of organization if it had no preceding income-  
2 tax taxable year) ; plus 100 per centum of such portion  
3 of its net income as is in excess of 6 per centum of the  
4 adjusted declared value of its capital stock (or in the case  
5 of a foreign corporation the adjusted declared value of cap-  
6 ital employed in the transaction of its business in the United  
7 States) as at the close of the preceding income-tax taxable  
8 year (or as of the date of organization if it had no preceding  
9 income-tax taxable year).

10 (b) The maximum of the adjusted declared value of the  
11 capital stock of a corporation for the purposes of this section  
12 shall be determined as provided in section 701 of the Rev-  
13 enue Act of 1934, if the said section 701 is in full force and  
14 effect upon the effective date of this Act, and the adjusted  
15 declared value therein determined shall be adopted as a  
16 maximum for the purposes of this section. If the said sec-  
17 tion 701 is modified or repealed prior to the effective date  
18 of this Act, such maximum adjusted declared value of the  
19 capital stock of a corporation shall be determined as though  
20 the said section 701 is, and has at all times subsequent to  
21 March 15, 1935, been and remained, in full force and effect.

22 (c) If the Commissioner shall determine, upon his  
23 own volition, upon notice and hearing to the taxpayer,  
24 that the said maximum adjusted declared value of capital  
25 stock as herein determined is excessive, he may order an

1 appraisal to be made of such capital stock pursuant to such  
2 rules and regulations as he may prescribe, and thereafter,  
3 if the Commissioner shall deem such appraised value to be  
4 more nearly in accord with fact than the adjusted declared  
5 value as otherwise determined hereunder, he shall order  
6 a modification of such adjusted declared value to conform  
7 with such appraisal and thereupon such appraised value  
8 shall be the adjusted declared value of such capital stock  
9 for the purposes of this title.

10 (d) In the case of any corporation newly organized  
11 within one year prior or at any time subsequent to the  
12 effective date of this title the adjusted declared value of  
13 capital stock shall be determined by the Commissioner by  
14 appraisal pursuant to such rules and regulations as he may  
15 prescribe, notwithstanding any other provision of law or  
16 of this title to the contrary.

17 (e) In the event that any corporation subject to the  
18 tax herein imposed shall have been reorganized or party  
19 to a reorganization, affiliation, or merger at any time within  
20 one year of the effective date of this Act, or shall be re-  
21 organized or party to a reorganization, affiliation, or merger  
22 subsequent to the effective date of this Act, the maximum  
23 of the adjusted declared value of the capital stock of such  
24 corporation for the purposes of this section shall be the  
25 same as such adjusted declared value as herein set forth

1 prior to such reorganization, affiliation, or merger or the  
2 sum of such adjusted declared values in the event that two  
3 or more corporations have become one corporation for  
4 purposes of this tax as the result of such reorganization,  
5 affiliation, or merger, except that cash actually paid in as a  
6 result of such reorganization, affiliation, or merger may be  
7 added to such adjusted declared value. Adjusted declared  
8 values as computed pursuant to this section shall be maxi-  
9 mum adjusted declared values and may be reduced by the  
10 Commissioner after notice and hearing if in his opinion they  
11 are excessive or unrepresentative of the true values involved.

12 (f) If the income-tax taxable year in respect of which  
13 the tax under this section is imposed is a period of less than  
14 twelve months, such adjusted declared value shall be reduced  
15 to an amount which bears the same ratio thereto as the  
16 number of months in the period bears to twelve months.

17 (g) The tax imposed by this section shall be on an  
18 annual basis, but the corporation subject thereto shall file  
19 returns upon the dates fixed and for the periods stated in  
20 section 9 of this Act. Returns for the first three-quarters  
21 of each year shall be made upon an estimated annual basis  
22 except that the total tax due and payable for such quarter  
23 shall be returned as a sum equal to one-fourth of the total  
24 annual tax as computed upon such estimated annual basis. A

1 return for the fourth quarter shall be made upon an esti-  
2 mated annual basis, except that such return shall also include  
3 an actual return for the entire taxable year, and the total  
4 tax due and payable for such fourth quarter shall be returned  
5 as a sum equal to the total annual tax due and payable  
6 for the entire taxable year on the basis of such actual return  
7 for the entire taxable year, minus a sum equal to the total  
8 amount of payments previously made for or on behalf of  
9 taxes due and payable for the first three-quarters of such  
10 taxable year pursuant to the provisions of this title. The  
11 full amount of the tax imposed by this section shall be due  
12 and payable upon the date upon which a return is filed  
13 pursuant to the provisions of this Act, and such payment  
14 shall be for the period covered by such return.

15 (h) For the purpose of this section the net income  
16 shall be computed in like manner as provided for income-  
17 tax purposes under the provisions of the Revenue Act of  
18 1934 as incorporated herein and modified hereby.

19 SEC. 6. CROSS-REFERENCES.—Cross reference num-  
20 bers enclosed in parentheses immediately following section  
21 numbers of this Act are for convenience only, and shall be  
22 given no legal effect, except that where any provision of  
23 the Revenue Act of 1934 herein reenacted or of this title  
24 refers by number to any section included in schedule A of

1 section 5 of this Act, such reference shall be deemed to  
2 apply, insofar as may be, to the section of this Act bearing  
3 the corresponding cross-reference number.

4       SEC. 7. EFFECTIVE DATE; TAXES IN LIEU OF INCOME  
5 AND PROFITS TAXES; PAYMENT OF SUCH TAXES FOR  
6 SHORT PERIOD.—The provisions of this title shall become  
7 operative and in full force and effect immediately upon the  
8 declaration by Congress that a state of war exists between  
9 the United States and any foreign government and shall  
10 remain in full force and effect for the duration of such war  
11 and thereafter until the Congress shall declare the emer-  
12 gency created by such war to be at an end, and in any event  
13 for at least one calendar year. The taxes imposed by this  
14 Act shall be in lieu of all other corresponding income or  
15 profit taxes which are or may be in effect at the time of  
16 such declaration of war, for the period during which this  
17 Act shall be in effect.

18       Regardless of any other statutory provision, taxes  
19 under any such law, which is superseded by the provisions  
20 of this title, shall be due and payable and a return shall be  
21 filed covering such taxes on the 15th day of the second  
22 month following the effective date of this title. Such  
23 return and taxes shall be due for any period which may  
24 have elapsed between the close of the last preceding taxable  
25 year and the effective date of this title. The Commissioner

1 shall make rules and regulations which shall have the force  
2 and effect of law in regard to the manner of computing  
3 income on the basis of such period of less than one taxable  
4 year, and placing such incomes on an annual basis. The  
5 provisions of section 47 of the Revenue Act of 1934 shall  
6 apply insofar as may be to such return for such period.  
7 Fractions of months shall be disregarded for all purposes  
8 in connection with computations made pursuant to the pro-  
9 visions of this section.

10 SEC. 8. (23 (a)) DEDUCTIONS FROM GROSS IN-  
11 COME. (a) In computing net income there shall be allowed  
12 as deductions all the ordinary and necessary expenses paid  
13 or incurred during the taxable year in carrying on any  
14 trade or business, including a reasonable allowance for  
15 salaries or other compensation for personal services actually  
16 rendered; traveling expenses (including the entire amount  
17 expended for meals and lodging) while away from home  
18 in the pursuit of a trade or business; and rentals or other  
19 payments required to be made as a condition to the con-  
20 tinued use or possession, for the purposes of the trade or  
21 business, of property to which the taxpayer has not taken  
22 or is not taking title or in which he has no equity: *Pro-*  
23 *vided, however,* That if any such expenses, salaries, com-  
24 pensation, or other payments hereinbefore referred to shall  
25 be made to any officer or director of a corporation, or to

1 any stockholder owning in excess of 1 per centum of any  
2 class of the stock of the corporation, or to any relative of  
3 such officer, director, or stockholder, such expenses, salaries,  
4 compensation, or other payments shall only be allowed as  
5 deductions from the gross income of such corporation if  
6 they shall amount in total to less than \$5,000, and if they  
7 exceed the amount of \$5,000 they shall be allowed as deduc-  
8 tions from gross income only to the extent of such \$5,000:  
9 *And provided further*, That promotional, public relation,  
10 and all selling costs and expenses shall in no event be  
11 allowed as a deduction in a sum larger than the yearly  
12 average of such expenses for the three years immediately  
13 preceding the effective date of this Act, and if such expenses  
14 do in fact exceed such preceding three-year average they  
15 shall be allowed as a deduction only to the extent of such  
16 average.

17 (b) (23 (b)) In computing net income there shall  
18 be allowed as deductions all interest paid or accrued within  
19 the taxable year on indebtedness, except on indebtedness  
20 the interest on which is payable solely from income and is  
21 secured by and payable from no other property or funds,  
22 and except on indebtedness incurred or continued to pur-  
23 chase or carry obligations (other than obligations of the  
24 United States issued between September 24, 1917, and  
25 January 1, 1921, and originally subscribed for by the tax-

1 payer) the interest upon which is exempt from the taxes  
2 imposed by this title: *Provided*, That in no event shall such  
3 deduction for interest paid or accrued be allowed in excess  
4 of the yearly average of such interest paid or accrued for  
5 the three years preceding the effective date of this title,  
6 except insofar as such interest is paid or accrued for or on  
7 account of moneys borrowed and actually paid to the tax-  
8 payer, and if such interest does in fact exceed such preced-  
9 ing three-year average it shall be allowed as a deduction  
10 only to the extent of such average.

11 (c) (23 (j)) In computing net income there shall  
12 be allowed as deductions, losses from sales or exchanges of  
13 capital assets only to the extent provided in section 22 of  
14 this Act.

15 (d) (23 (n)) In computing net income there shall  
16 be allowed as deductions exhaustion, wear and tear, repairs,  
17 obsolescence, and depletion; and the basis upon which  
18 exhaustion, wear and tear, repairs, obsolescence, and deple-  
19 tion are to be allowed, in respect of any property shall be  
20 as provided in section 114 of the Revenue Act of 1934 as  
21 herein incorporated: *Provided*, That irrespective of the  
22 provisions of either section 23 or section 114 of the said  
23 Act the total of deductions allowed for exhaustion, wear and  
24 tear, repairs, and obsolescence shall not exceed 2 per centum  
25 of the gross income of the taxpayer during the taxable year:

1 *And provided further*, That irrespective of the provisions  
2 of either section 23 or section 114 of the Revenue Act of  
3 1934 as herein incorporated the total of deductions allowed  
4 for depletion shall not exceed the following percentages of the  
5 gross income from the property during the taxable year:

6  $2\frac{1}{2}$  per centum in the case of coal mines.

7 5 per centum in the case of metal mines.

8  $7\frac{1}{2}$  per centum in the case of sulphur mines or deposits.

9  $7\frac{1}{2}$  per centum in the case of all other mines or wells.

10 9 per centum in the case of oil or gas wells.

11 (e) Notwithstanding any other provision of law or  
12 interpretation made thereunder, no deduction from gross  
13 income shall be allowed or allowable under any circum-  
14 stances for—

15 (A) Any sums paid to foreign corporations, indi-  
16 viduals, or other persons either as dividends or other  
17 distribution of earnings, or profits;

18 (B) Any sum received as distribution or disburse-  
19 ment of reserves against depletion, depreciation, or  
20 other capital charge or account or as distribution in  
21 complete or partial liquidation as defined in section  
22 115 (i) of the Revenue Act of 1934; or

23 (C) Any sum accounted or paid or reserved for  
24 payment as an interest or amortization charge upon  
25 any obligation, bonded debt, or security created or

1 accruing as the result of an exchange or transference  
2 of securities of the same corporation of any other char-  
3 acter for such obligation, bonded debt, or security, in  
4 the event that such exchange or transference occurred  
5 after or within one year prior to the effective date of  
6 this title.

7 SEC. 9. (53 (a)) TIMES AND PLACE FOR FILING  
8 RETURNS.—(a) All Taxes levied, collected, and paid pur-  
9 suant to this Act shall be on an annual basis, and all rates,  
10 deductions, exemptions, credits, and other accounting com-  
11 putations of all kinds whatsoever shall likewise be on an  
12 annual basis, but individuals and corporations required to  
13 file returns under this Act shall file such returns quarterly,  
14 and if on the basis of the calendar year, on or before the  
15 1st day of May following for the first quarter, on or before  
16 the 1st day of August following for the second quarter, on  
17 or before the 1st day of November following for the third  
18 quarter, and on or before the 1st day of March following  
19 for the fourth quarter. If made on the basis of the fiscal  
20 year such returns shall be filed on or before the 1st day  
21 of the second month following the close of the first three  
22 quarters of any fiscal year, and on or before the 1st day of  
23 the third month following the close of the fourth quarter  
24 of such fiscal year. As used in this section the term  
25 "quarter" shall mean three calendar months.

1 Returns for the first three-quarters of each year shall  
2 be made on an estimated annual basis, except that the total  
3 tax due and payable for such quarter shall be returned as a  
4 sum equal to one-fourth of the total annual tax as computed  
5 upon such estimated annual basis. A return for the fourth  
6 quarter shall be made on an estimated annual basis, except  
7 that such return shall also include an actual return for the  
8 entire taxable year, and the total tax due and payable for  
9 such fourth quarter shall be returned as a sum equal to the  
10 total annual tax due and payable for the entire taxable year  
11 on the basis of such actual return for the entire taxable year,  
12 minus a sum equal to the total amount of payments pre-  
13 viously made for or on behalf of taxes due and payable for  
14 the first three quarters of such taxable year pursuant to the  
15 provisions of this Act.

16 (b) If the effective date of this title is other than the  
17 first day of any quarter for which returns are due pursuant  
18 to the provisions of this title, no return shall be due until  
19 the date fixed herein for the filing of same at the expiration  
20 of the first full quarter for which returns are due as herein-  
21 before provided. Such return shall be made for the full  
22 quarter for which such return is legally due, and in addition  
23 to such full quarter shall include a return for the period  
24 commencing at the effective date of this title and expiring  
25 at midnight of the last day preceding the first day of such

1 full quarter. The Commissioner shall make rules and regu-  
2 lations which shall have the force and effect of law in regard  
3 to the manner of computing income on the basis of such  
4 period of less than one full quarter. The provisions of sec-  
5 tion 47 of the Revenue Act of 1934 shall not apply to such  
6 return for such period. Fractions of months shall be dis-  
7 regarded for all purposes in connection with computations  
8 made pursuant to the provisions of this section.

9 (c) Immediately upon the effective date of this Act,  
10 the President shall make public, upon such terms and condi-  
11 tions as he may see fit, the returns of all taxpayers for the  
12 year prior to such effective date, notwithstanding and in  
13 addition to any other terms or provisions of law relating  
14 to such publicity.

15 SEC. 10. (56(a)) TIME OF PAYMENT OF TAX.—The  
16 full amount of the tax imposed by this Act shall be paid  
17 upon the date upon which a return is filed pursuant to  
18 the provisions of this Act, and such payment shall be for  
19 the period covered by such return.

20 SEC. 11. PENALTY.—In addition to the tax imposed  
21 by this Act, there shall be imposed a penalty to be added  
22 to the tax and collected as a part thereof, equal to 5 per  
23 centum of the amount by which the tax due and payable  
24 for the fourth quarter of any taxable year, pursuant to the  
25 return filed in accordance with section 9 of this Act, exceeds

1 one-fourth of the total amount of such tax for the entire  
2 taxable year, unless it shall appear to the satisfaction of  
3 the Commissioner that such excess is not due to the with-  
4 holding of amounts properly apportionable to the first three  
5 quarters of the taxable year.

6       SEC. 12. (102 (a)) SURTAX ON CORPORATIONS IM-  
7 PROPERLY ACCUMULATING SURPLUS.—There shall be  
8 levied, collected, and paid for each taxable year upon the  
9 adjusted net income of every corporation (other than a  
10 personal holding company as defined in section 351 of the  
11 Revenue Act of 1934) if such corporation, however created  
12 or organized, is formed or availed of for the purpose of  
13 preventing the imposition of the surtax upon its shareholders  
14 or the shareholders of any other corporation, through the  
15 medium of permitting gains and profits to accumulate instead  
16 of being divided or distributed, a surtax equal to the sum  
17 of the following:

18       (1) 98 per centum of the amount of the adjusted net  
19 income not in excess of \$100,000; plus

20       (2) 100 per centum of the amount of the adjusted  
21 net income in excess of \$100,000.

22       SEC. 13. OVERPAYMENT OF INSTALLMENTS.—If the  
23 taxpayer has paid, on the basis of returns filed for the first  
24 three quarters of any taxable year, an amount which exceeds  
25 his tax liability pursuant to this Act for the entire year,

1 such overpayment shall be credited against the tax due  
2 from such taxpayer under the terms of this or any previous  
3 or subsequent Act for the next ensuing quarter or quarters,  
4 as the case may be; or shall be refunded at the option of  
5 the taxpayer. Section 322 (a) of the Revenue Act of 1934  
6 as herein incorporated is superseded only to the extent neces-  
7 sary to give effect to this section.

8       SEC. 14. (351 (a)) IMPOSITION OF SURTAX ON  
9 PERSONAL HOLDING COMPANIES.—There shall be levied,  
10 collected, and paid, for each taxable year upon the undis-  
11 tributed adjusted net income of every personal holding  
12 company a surtax equal to the sum of the following:

13       (1) 98 per centum of the amount thereof not in excess  
14 of \$100,000; plus

15       (2) 100 per centum of the amount thereof in excess  
16 of \$100,000.

17       SEC. 15. BOARD OF TAX APPEALS; JURISDICTION;  
18 RULE OF EVIDENCE.—If the operation of any rule, stand-  
19 ard, or limitation established by any subsection of section 8  
20 or by section 20, or by section 22 of this title, shall result  
21 in a gross and unconscionable factual disparity or error, or  
22 if the operation of such section or subsection shall entail an  
23 unconstitutional result as against any taxpayer, such tax-  
24 payer may file a claim for adjustment or refund with the  
25 Board of Tax Appeals, or its successor in law or in fact.

1 Such Board, in addition to all other powers and duties, is  
2 hereby authorized and empowered to hear and determine  
3 claims filed pursuant to this section, and if such determina-  
4 tion is in favor of the claimant, such adjustment or refund  
5 as is allowed shall be a legal claim against the United States.  
6 No such claim shall be heard or determined unless the full  
7 sum in dispute has been paid into the Treasury of the United  
8 States, as though actually due; nor shall any such claim be  
9 heard or determined until a date subsequent to the expira-  
10 tion of this title, but such delay shall not prejudice in any  
11 respect, by limitation or otherwise, the rights of the claim-  
12 ant. In any such proceeding, there shall be a presumption  
13 that the sum in dispute was validly collected and paid, and  
14 the burden shall be upon the claimant to show the contrary.  
15 All other rules, regulations, and statutory provisions relating  
16 to tax refunds shall apply to proceedings brought under this  
17 title, so far as applicable, except that the remedy herein  
18 provided for gross or unconscionable factual disparity or  
19 error or unconstitutional result under sections 8, 20, and 22  
20 of this title shall be an exclusive remedy.

21       SEC. 16. ADDITIONAL PENALTIES.—In addition to all  
22 other penalties provided by law, any person who willfully  
23 violates any provision of this title or who willfully fails  
24 to pay such tax, make such return, keep such records, supply  
25 such information as required by this title, or who willfully

1 attempts in any manner to evade or defeat any tax imposed  
2 by this title or the payment thereof, shall be liable to a  
3 penalty of three times the amount of such tax withheld or  
4 evaded on the basis or as a result thereof, and the failure  
5 to pay such penalty within thirty days of its determination  
6 shall constitute a misdemeanor punishable by a fine of not  
7 more than \$10,000 or imprisonment for not more than one  
8 year, or by both such fine and imprisonment.

9       SEC. 17. GENERAL AUDITOR.—There shall be ap-  
10 pointed by the chairman of the Senate Finance Committee,  
11 with the advice and consent of the Senate, a general auditor,  
12 who shall at all times have access to all records, files, and  
13 documents in the possession of the Treasury Department  
14 or any other department, bureau, or agency of the United  
15 States relating to the tax imposed by this title. Such gen-  
16 eral auditor shall hold office for the duration of the effective-  
17 ness of this title and shall not be removable except for  
18 misconduct. He shall have the power to subpoena witnesses  
19 and administer oaths. He shall, upon request by any Mem-  
20 ber of Congress, produce for the official use of such Member  
21 all details of any record, file, or document relating to the  
22 tax imposed by this title.

23       SEC. 18. CREDITS FOR BOTH NORMAL TAX AND SUB-  
24 TAX; PERSONAL EXEMPTIONS.—There shall be allowed for

1 the purposes of the normal tax and the surtax the following  
2 credits against net income:

3 (a) (25 (b) (1)) In the case of a single person or a  
4 married person not living with husband or wife, a personal  
5 exemption of \$500; or in the case of married persons living  
6 with husband or wife, an exemption of \$1,000. A husband  
7 and wife living together shall receive but one personal ex-  
8 emption.

9 (b) (25 (b) (2)) \$100 for each person (other than  
10 husband or wife) dependent upon and receiving his chief  
11 support from the taxpayer if such dependent person is under  
12 eighteen years of age or is incapable of self-support because  
13 mentally or physically defective.

14 (c) Notwithstanding any other provision of this sec-  
15 tion or other provision of law, no personal exemption shall  
16 be allowed to any minor child whose parent or parents are  
17 alive, but such minor child shall make a joint return with  
18 such parent or parents and only such personal exemption  
19 as is applicable to such parent or parents shall apply to  
20 the aggregate income included in such joint return.

#### 21 (51) INDIVIDUAL RETURNS

22 SEC. 19. (a) REQUIREMENTS.—The following individ-  
23 uals shall each make under oath a return stating specifically  
24 the items of his gross income and the deductions and credits  
25 allowed under this title;

1 (1) Every individual having a net income for the tax-  
2 able year of \$500 or over, if single, or if married and not  
3 living with husband or wife;

4 (2) Every husband and wife having a net income  
5 for the taxable year of \$1,000 or over, if living together; and

6 (3) Every individual having a gross income for the  
7 taxable year of \$5,000 or over, regardless of the amount  
8 of his net income.

9 (b) HUSBAND AND WIFE.—If a husband and wife  
10 living together have an aggregate net income for the taxable  
11 year of \$1,000 or over, or an aggregate gross income of  
12 \$5,000 or over, the income of both shall be included in a  
13 single joint return, and the tax shall be computed on the  
14 aggregate income.

15 (c) MINOR CHILDREN.—If a minor child whose parent  
16 or parents are alive has a net income of \$100 or more, his  
17 income shall be included in a single joint return with his  
18 parent or parents and the tax shall be computed on the  
19 aggregate income. If such parents file separate returns,  
20 such joint return shall be with the parent with which the  
21 minor child resides; and if such parents file separate returns  
22 and the minor child resides with neither, such return may  
23 be filed with either such parent at the option of the child.

24 (d) PERSONS UNDER DISABILITY.—If the taxpayer is  
25 unable to make his own return, the return shall be made

1 by a duly authorized agent or by the guardian or other  
2 person charged with the care of the person or property of  
3 such taxpayer.

4       SEC. 20. LOANS TO BE TREATED AS DIVIDENDS.—For  
5 all purposes under this title, and notwithstanding any other  
6 provisions of law to the contrary, any loan or advance  
7 made by any corporation to a stockholder or officer or for  
8 the benefit or on behalf of any stockholder or officer shall  
9 be treated as a dividend of such corporation for all purposes  
10 in connection with any tax imposed upon such officer or  
11 stockholder, but such loan or advance shall not be treated  
12 as a dividend of such corporation for any purpose in con-  
13 nection with any tax imposed upon such corporation.

14       SEC. 21. (272 (a)) DEFICIENCY; PETITION TO  
15 BOARD OF TAX APPEALS.—If in the case of any taxpayer  
16 the Commissioner determines that there is a deficiency  
17 in respect of the tax imposed by this title, the Commissioner  
18 is authorized to send notice of such deficiency to the tax-  
19 payer by registered mail. Within thirty days after such  
20 notice is mailed (not counting Sunday or a legal holiday  
21 within the District of Columbia as the thirtieth day), the  
22 taxpayer may file a petition with the Board of Tax Appeals  
23 for a redetermination of the deficiency. Assessment of a  
24 deficiency in respect of the tax imposed by this title and  
25 distraint or proceeding in court for its collection may be

1 made, begun, or prosecuted after such notice has been  
2 mailed to the taxpayer, but in the event that the decision  
3 of the Board subsequently becomes final in favor of the  
4 taxpayer, he shall be entitled to a refund of such amount  
5 as has been collected on the basis of such deficiency. In  
6 any proceeding relative to a deficiency in respect of the  
7 tax imposed by this title, there shall be a presumption that  
8 the finding of such deficiency by the Commissioner is  
9 correct and the burden shall be upon the taxpayer to show  
10 the contrary to the satisfaction of the tribunal before which  
11 such proceeding is brought.

12 SEC. 22. (117 (d)) LIMITATION ON CAPITAL  
13 LOSSES.—Losses from sales or exchanges of capital assets  
14 shall be allowed only to the extent of \$2,000. In no event  
15 and under no circumstances shall such limitation be  
16 extended on account or to the extent of capital gains. If  
17 a bank or trust company incorporated under the laws of  
18 the United States or of any State or Territory, a substantial  
19 part of whose business is the receipt of deposits, sells any  
20 bond, debenture, note, or certificate or other evidence of  
21 indebtedness issued by any corporation (including one issued  
22 by a government or political subdivision thereof), with  
23 interest coupons or in registered form, any loss resulting  
24 from such sale (except such portion of the loss as does  
25 not exceed the amount, if any, by which the adjusted basis



1 may designate, and shall exercise the powers conferred upon  
2 it by this title and such additional powers as the President  
3 may from time to time confer upon it. Such Board shall  
4 have jurisdiction and control over the Industrial Manage-  
5 ment Corps, which is hereby created and which shall be a  
6 military corps; but in addition to all powers conferred upon  
7 such Board, the Secretary of War, through such officers as  
8 he may designate, shall have disciplinary powers in like  
9 manner and to like extent as over any corps of the Regular  
10 Army, including the power of court martial for any offense  
11 cognizable under the law by military authority, and shall  
12 also have power of court martial or other military process  
13 for violation of any rule or regulation of the Industrial Man-  
14 agement Board. It shall be the duty of the Industrial  
15 Management Board to cooperate to the utmost possible extent  
16 with all commissions, boards, or other authorities created  
17 or existing for the purpose of successfully prosecuting such  
18 war. In the event of any jurisdictional dispute or diffi-  
19 culty with any other Government department, board, or  
20 agency the President may decide such dispute or difficulty  
21 by Executive order. The Industrial Management Board  
22 shall have power to make rules and regulations for the  
23 government and control of such Industrial Management  
24 Corps, and such rules and regulations shall have the force  
25 and effect of law.

1        SEC. 103. CREATION OF LOCAL AND DISTRICT  
2        BOARDS.—The President is authorized and directed, imme-  
3        diately upon the declaration by Congress that a state of war  
4        exists between the United States and any foreign govern-  
5        ment, to create and establish throughout the several States  
6        and subdivisions thereof and in the Territories and the Dis-  
7        trict of Columbia local boards, and where, in his discretion  
8        practicable, there shall be one such local board in each county  
9        or similar subdivision in each State and additional boards  
10       may be created within counties at his discretion. Such  
11       boards shall be appointed by the President, and shall con-  
12       sist of three or more members, to be chosen from among  
13       the local authorities of such subdivisions or from other citi-  
14       zens residing in the subdivision or area over which the  
15       respective boards will have jurisdiction, under rules and  
16       regulations to be prescribed by the President. Such boards  
17       shall have power within their respective jurisdiction to hear  
18       and determine, subject to review as hereinafter provided, all  
19       questions of exemption under this Act, and all questions  
20       of or claims for including or discharging individuals or  
21       classes of individuals from the draft as provided in this Act.  
22       The President is hereby authorized and directed to  
23       establish additional boards, one or more in each State in  
24       his discretion, to be called "district boards", consisting of  
25       such number of citizens as he may determine, who shall be

1 appointed by the President. Such district boards may, in  
2 their discretion, review on appeal and affirm, modify, or  
3 reverse any decision of any local board having jurisdiction  
4 in the area in which such district board has jurisdiction  
5 under the rules and regulations prescribed by the President.  
6 The decisions of such district boards shall be final, except  
7 that if the President shall later modify any rule, regulation,  
8 or order upon which such decision was based, such decision  
9 may be reconsidered by the said district board.

10 Any vacancy in any such local board or district board  
11 shall be filled by the President, and any member of such  
12 local board or district board may be removed by the Presi-  
13 dent whenever he considers that the public interest requires  
14 such removal.

15 SEC. 104. POWERS OF PRESIDENT; RULES AND REG-  
16 ULATIONS.—The President shall make rules and regula-  
17 tions governing the organization and procedure of such  
18 local boards and district boards, and providing for and gov-  
19 erning appeals from such local boards to such district boards,  
20 and reviews of the decisions of any local board by the dis-  
21 trict board having jurisdiction, and determining and pre-  
22 scribing the several areas in which the respective local  
23 boards and district boards shall have jurisdiction, and all  
24 other rules and regulations necessary to carry out the terms  
25 and provisions of this title, and shall provide for the issuance

1 of certificates of exemption, or partial or limited exemptions,  
2 to such persons as may be exempted from the terms and  
3 provisions of this Act.

4       SEC. 105. REGISTRATION OF PERSONS.—All persons  
5 engaged, wholly or partially, in any executive, supervisory,  
6 administrative, or policy-forming position with or in con-  
7 nection with any technical, industrial, or manufacturing  
8 plant or establishment of any kind whatsoever, whatever  
9 the form of ownership thereof, corporate or otherwise, or  
10 who have been engaged within three years of any declara-  
11 tion of war as heretofore referred to, shall register in ac-  
12 cordance with regulations to be prescribed by the President,  
13 and upon proclamation by the President or other public  
14 notice to be given by him which proclamation or public  
15 notice shall be as nearly contemporaneous with any declara-  
16 tion of war as may be. All such registration shall be con-  
17 ducted and recorded by local boards, as herein established,  
18 and shall be at such times and places as the President, or  
19 in the event of his failure to do so the local board, shall  
20 designate. Every such person shall be deemed to have  
21 notice of the requirement of this Act upon the publication  
22 or other notice as aforesaid given by the President or by  
23 his direction, and it shall be the duty of all persons of the  
24 aforesaid engagements to present themselves to the local  
25 board having jurisdiction over the areas in which they reside

1 and submit thereat for registration as herein provided. Any  
2 person who shall willfully fail or refuse to present himself  
3 for registration or submit thereto as herein provided,  
4 shall be guilty of a misdemeanor, and shall, upon conviction  
5 in the District Court of the United States having jurisdiction  
6 thereof, be punished by imprisonment of not less than one  
7 nor more than five years or by a fine of not less than \$1,000  
8 nor more than \$10,000, or by both such fine and imprison-  
9 ment, and shall thereupon be duly registered: *Provided,*  
10 That in the call of the docket precedence shall be given,  
11 in courts trying the same, to the trial of criminal proceeding  
12 under this Act. In the case of temporary absence from  
13 actual place of legal residence, any person subject to this  
14 Act may register by mail pursuant to regulations to be  
15 made by the President. For the purposes of criminal  
16 prosecution under this Act a person shall be deemed prima  
17 facie to be engaged in executive, supervisory, administra-  
18 tive, or policy-forming position within the terms of this  
19 Act if his salary, compensation, or other emoluments shall  
20 equal or exceed during any previous year within a three-  
21 year period of the declaration of war herein referred to the  
22 sum of \$4,000: *Provided further,* That the President may  
23 at such intervals as he may desire from time to time require  
24 any person who has become engaged in any position of  
25 which the occupant has or would have been subject to reg-

1 istration pursuant to this title since the last preceding date  
2 of registration and on or before the next date set for registra-  
3 tion by proclamation by the President, except such persons  
4 as are exempt from such registration hereunder, to register  
5 in the same manner and subject to the same requirements  
6 and liabilities as those previously registered under the terms  
7 hereof: *Provided further*, That all such persons when reg-  
8 istered shall be liable to combat military service and to draft  
9 under the terms of any other Act of Congress and under  
10 such regulations as may be prescribed thereunder: *And*  
11 *provided further*, That in the event that any member of  
12 the Industrial Management Corps shall be removed from  
13 the position which he occupied prior to declaration of war  
14 pursuant to the provisions of section 107 of this title and  
15 be not immediately transferred to some other position or  
16 status under the Industrial Management Board, he shall  
17 forthwith be transferred to such other branch of the Military  
18 Establishment as the Secretary of War may direct, provided  
19 that he is otherwise qualified for such service.

20       SEC. 106. EXEMPTIONS.—The following classes of  
21 persons shall be exempt from registration under the terms  
22 of this Act:

23       (a) Officers and enlisted men of the Regular Army,  
24 the Navy, the National Guard, Naval Militia, and all other

1 persons in the military and naval services of the United  
2 States.

3 (b) Persons found by local boards to be morally  
4 deficient for service in the military forces of the United  
5 States, or insane.

6 (c) Aliens who have not declared their intention to  
7 become citizens.

8 (d) Persons who may be exempted by unanimous  
9 vote of a local board, confirmed by a unanimous vote of a  
10 district board for unique, exceptional, extraordinary, and  
11 unforeseen reasons which make satisfactory service in the  
12 military forces of the United States impossible, but in no  
13 case shall mere physical disability be sufficient cause for  
14 exemption under this section.

15 SEC. 107. POWER OF THE PRESIDENT; STATUS AND  
16 POWERS OF REGISTRATION.—Whenever the President shall,  
17 in his discretion, deem any technical, industrial, or manu-  
18 facturing plant or establishment or any group of such com-  
19 prised in an industry to be necessary to the maintenance of  
20 the Military Establishment or the effective operation of the  
21 military forces or the maintenance of the national interest  
22 during the emergency, he may proclaim such plant, estab-  
23 lishment, or industry so to be. Upon making such procla-  
24 mation the President shall determine and state in the said  
25 proclamation either that—

1 (a) Any person registered pursuant to the provisions  
2 of this title engaged or employed wholly or partially in such  
3 plant, establishment, or industry; or

4 (b) Any person registered pursuant to the provisions  
5 of this title engaged in a capacity which involves the deter-  
6 mination, or a part in the determination, of the business  
7 and industrial policy of such plant, establishment, or in-  
8 dustry, including in the case of corporations the president,  
9 directors, vice presidents, and general manager or those  
10 occupying corresponding positions among others—  
11 shall be drafted for service in the Industrial Managements  
12 Corps. Thereupon each person so drafted shall become a  
13 member of the United States Army and of the Industrial  
14 Management Corps thereof, and subject to military dis-  
15 cipline through such officers as the Secretary of War may  
16 designate pursuant to section 102 of this title. Such person  
17 shall receive a commission from the said Army of a rank  
18 not superior to brigadier general, and if possible such rank  
19 shall correspond approximately to the Regular Army rank  
20 of an officer in charge of a like number of men. Such corps  
21 shall be maintained, organized, and equipped in such manner  
22 as the Industrial Management Board may direct. Members  
23 of the Industrial Management Corps shall receive from their  
24 employers only such compensation and allowances as are  
25 received by officers of the Regular Army of even rank and

1 grade, and in no case and under no circumstances shall such  
2 compensation and allowances exceed the amount paid to  
3 officers of the Regular Army of even rank and grade. All  
4 members of the Industrial Management Corps of the Army  
5 of the United States shall, from the date of enrollment  
6 therein, be subject to the laws and regulations governing  
7 the Regular Army, except as to promotions, so far as such  
8 laws and regulations are applicable to persons whose per-  
9 manent retention in the military service on the active or  
10 retired list is not contemplated by existing law, and the dura-  
11 tion of military service of such members of the Industrial  
12 Management Corps shall be for the duration of the war and  
13 for such time thereafter as the President may declare to be  
14 a period of national emergency. Each member of the In-  
15 dustrial Management Corps shall continue to occupy such  
16 position, in his normal status, except as otherwise provided  
17 by this title in any technical, manufacturing, or indus-  
18 trial plant or establishment as he occupied prior to the  
19 effective date of this title, unless promoted or demoted  
20 by the management thereof with the consent of the In-  
21 dustrial Management Board. If at any time, however,  
22 the Industrial Management Board shall find the serv-  
23 ices of such member of the Industrial Management Corps to  
24 be inefficient, unsatisfactory, or contrary to the public in-  
25 terest, such Board may order his removal therefrom and

1 thereupon he shall be assigned to such other branch of the  
2 Military Establishment as provided in section 105 of this  
3 title. Upon such removal or in the event of any vacancy  
4 for any cause, the owners or managers of such plant or  
5 establishment shall replace such removed person in the  
6 normal manner thereupon the person chosen as such replace-  
7 ment shall be enrolled forthwith as a member of the Industrial  
8 Management Corps.

9 SEC. 108. LIMITATION ON INCOME OF MEMBERS OF  
10 INDUSTRIAL MANAGEMENT CORPS; PENALTIES.—No  
11 member of the Industrial Management Corps shall at any  
12 time receive any salary, gift, compensation, or any other  
13 emolument whatsoever for services rendered during war time  
14 from any partnership, association, trust, corporation, or other  
15 person interested in or connected with any technical, indus-  
16 trial, or manufacturing plant or establishment for or in which  
17 such member may render services during time of war. Such  
18 member shall receive for services rendered during time of  
19 war only such compensation and allowances as shall equal  
20 the amount paid to officers of the Regular Army of even  
21 rank and grade, and no other person shall receive on his  
22 behalf or account nor shall any person receive in trust or  
23 by other means any additional compensation or allowance.  
24 If any member of the Industrial Management Corps does  
25 receive such additional salary, gift, compensation, or emolu-

1 ment he shall be forthwith dishonorably discharged from  
2 the United States Army, and such dismissal shall be in  
3 addition to other penalties. Neither shall any such person  
4 be permitted to escape such service or to be discharged  
5 therefrom prior to the expiration of his term of service by  
6 the payment of money or any other valuable thing whatso-  
7 ever as consideration for his release from such service or  
8 liability thereto. Any violation of the terms of this section  
9 shall constitute a felony and shall be punishable by a fine  
10 of not exceeding \$10,000 or by imprisonment for not more  
11 than ten years, or by both such fine and imprisonment.

12       SEC. 109. DEFINITION.—Where used in this title the  
13 phrase “technical, industrial, or manufacturing plant or  
14 establishment” shall include, among others, gas and electric  
15 power plants, mines and wells, railroads, pipe lines, and  
16 other public utilities, as well as all other plants or establish-  
17 ments of consequence to the successful prosecution of war.

18       SEC. 110. EMERGENCY POWER; REQUISITION OF IN-  
19 DUSTRIAL RESOURCES.—In the event of emergency, or in  
20 the event that inefficiency, labor dispute, or inability to  
21 agree on rates or terms of public contracts or any other  
22 cause has impaired or delayed the usefulness of any technical,  
23 industrial, or manufacturing plant or establishment to the  
24 successful prosecution of any war, the Industrial Manage-  
25 ment Board may upon a finding of such fact, and shall  
26 upon the request of the President, requisition the physical

1 establishment or any part thereof and resources of such  
2 plant or establishment and operate it under such rules and  
3 regulations as it may deem proper in the circumstances,  
4 and with such personnel as it may provide. If the Presi-  
5 dent designates any other governmental agency to operate  
6 such plant or establishment the jurisdiction of the Industrial  
7 Management Board under this section shall be superseded.  
8 The owner of such plant or establishment shall be entitled  
9 to a return of such plant or establishment at the termina-  
10 tion of the effectiveness of this title, together with just  
11 compensation for such loss as he may have suffered as a  
12 result of such requisition. Such loss shall be determined  
13 by the Industrial Management Board upon application  
14 made within thirty days of the return of such plant or  
15 establishment to the owner, and when so determined shall  
16 be a legal claim against the United States. The jurisdiction  
17 of the Industrial Management Board is extended for a  
18 period of one year beyond the expiration of this Act for  
19 determination of claims filed hereunder, and such extension  
20 of time for such purpose shall be an exception to any  
21 inconsistent provision of this Act.

### 22 TITLE III

#### 23 COMMODITY CONTROL PROVISIONS

24 SECTION 201. SHORT TITLE.—This title may be cited  
25 as the "War Commodity Control Act."

1       SEC. 202. DEFINITIONS.—For the purposes of this  
2 title the term “commodity” shall mean any article of  
3 commerce sold or offered for sale upon a commodity ex-  
4 change; the term “commodity exchange” shall mean any  
5 central market place where articles of commerce are sold  
6 on a short, long, future, or marginal basis, or where common  
7 articles of commerce are continuously sold without being  
8 present or in view of either the buyer or seller, or whether  
9 “bid and asked” quotations are commonly furnished on  
10 demand for articles of commerce, or any place commonly  
11 known as a “commodity exchange.”

12       SEC. 203. COMMODITY CONTROL COMMISSION.—  
13 There is hereby created the Commodity Control Commission,  
14 hereinafter in this title called the “Commission”, to consist  
15 of five members appointed by the President, with the advice  
16 and consent of the Senate, for a term of office to expire at  
17 the expiration date of this title, unless sooner removed by  
18 the President in his discretion. Such members shall receive  
19 the same compensation and allowances as are paid to officers  
20 of the Regular Army of the rank of colonel. No such  
21 member, so appointed, shall refuse to serve as a member  
22 of such Commission. Neither during his term of office nor  
23 thereafter, on account of services rendered during such term,  
24 shall any such member receive, nor shall any other person  
25 receive on his behalf, any reward, compensation, or emolu-

1 ment whatsoever from any source directly or indirectly regu-  
2 lated or affected by the provisions of this title, nor shall any  
3 member, attorney, agent, or employee of the Commission  
4 in any manner, directly or indirectly, participate in the  
5 determination of any question affecting his personal interest,  
6 or the interests of any corporation, partnership, association,  
7 or trust in which he is directly or indirectly interested.

8       SEC. 204. POWERS OF COMMISSION.—The Commis-  
9 sion shall have power, in its discretion, if it deem the public  
10 interest and the successful prosecution of the war to so  
11 require or render advisable:

12       (a) To close any commodity exchange.

13       (b) To publish rules and regulations with the force  
14 and effect of law for the government of such commodity  
15 exchanges as are not closed, which rules and regulations  
16 may include, among other things, the regulation of the prices  
17 or parities at which commodities may be sold; the establish-  
18 ment of priorities and rationing in favor of purchasers or  
19 users most vitally linked with the successful prosecution of  
20 the war; the limitation or fixation of fees, commissions, or  
21 other charges collected by such commodity exchanges or  
22 their agents for any service whatsoever; the elimination or  
23 limitation of short, long, future, and marginal selling and  
24 hedging and speculation of all types and varieties whatsoever.

1 (c) To prohibit the publication of prices quoted on  
2 commodities sold or formerly sold on such commodity  
3 exchanges and to proscribe and prohibit the delivery or  
4 transmission for delivery through the mails or by telegraph,  
5 telephone, wireless, or other form of communication of such  
6 prices or of any quotation or report of the price of or con-  
7 tracts or sales made of commodities sold or formerly sold on  
8 such exchanges.

9 SEC. 205. ADDITIONAL POWERS OF COMMISSION.—  
10 If the Commission shall close all or any commodity ex-  
11 changes it shall have power, in its discretion, if it deem the  
12 public interest and the successful prosecution of the war so  
13 require or render advisable—

14 (a) To requisition the physical plant of or place occu-  
15 pied by any commodity exchange or such part of such plant  
16 or place, together with such elevators, warehouses, and  
17 other marketing facilities wherever located, including pri-  
18 vate telegraph and telephone wires, as it may require; and  
19 to requisition all stores or supplies of any such commodities  
20 held by any person.

21 (b) To fix the price at which any commodity may be  
22 sold and to limit sale of such commodity to itself; and  
23 to establish allocations, quotas, and priorities for sales to  
24 itself and others, either at the time of such sale or in ad-  
25 vance of such sale.

1 (c) To resell any commodity purchased by itself at  
2 cost, plus such differential as shall equal the cost of handling  
3 and other expenses; and to establish allocations, quotas, and  
4 priorities among purchasers and users in favor of those most  
5 vitally linked with the successful prosecution of the war.

6 (d) To conserve or limit to war purposes the use of  
7 any commodity.

8 SEC. 206. FEES AND COMMISSIONS PROHIBITED.—

9 At no time and under no circumstances shall any fee, com-  
10 mission, or other emolument be paid as or in lieu of broker-  
11 age on any transaction in which the Commission is either  
12 buyer or seller of a commodity.

13 SEC. 207. STANDARD FOR FIXING OF PRICES.—In  
14 fixing any price pursuant to the provisions of this title for  
15 any agricultural commodity within the purview of this title,  
16 the Commission shall be guided but not bound by such level  
17 as will give such agricultural commodity a purchasing power  
18 with respect to articles that farmers buy equivalent to the  
19 purchasing power of agricultural commodities in the base  
20 period, and shall be guided, further, by the necessities of the  
21 Government and the public interest in successful prosecution  
22 of the war. The base period shall be all or any period of five  
23 consecutive years or more, in the discretion of the Com-  
24 mission, of the period commencing on January 1 of the  
25 twentieth year preceding the effective date of this title and

1 ending on January 1 of the second year preceding such  
2 effective date.

3       SEC. 208. CONTROL OF OTHER AGENCIES.—In the  
4 event that any other governmental authority or agency  
5 is actually engaged in the control, management, operation,  
6 or government of any industrial establishment connected  
7 with or necessary to the successful prosecution of the war,  
8 any request for priority in the allocation of commodities  
9 to such industrial establishment by such authority or agency  
10 shall be binding upon the Commission.

11       SEC. 209. APPROPRIATION.—There is hereby author-  
12 ized to be appropriated for the creation of a revolving fund  
13 to enable the Commission to make purchases of commodities  
14 as herein authorized the sum of \$500,000,000. All moneys  
15 received by the Commission in the exercise of its powers  
16 under this title shall revert to such revolving fund.

17       SEC. 210. COMPENSATION TO OWNERS.—The owner  
18 of any physical plant or place or elevator, warehouse, other  
19 marketing facilities, or private telephone or telegraph wires  
20 subjected to requisition pursuant to the provisions of this  
21 title shall be entitled to the return of such property at the  
22 termination of the effectiveness of this title, together with  
23 compensation for such loss as he may have suffered as a  
24 result of such requisition. Such loss shall be determined  
25 by the Commission upon application made within thirty

1 days of the return of such property to the owner, and when  
2 so determined shall be a legal claim against the United  
3 States. The jurisdiction of the Commission is extended  
4 for a period of one year beyond the termination of this title  
5 for determination of claims filed hereunder, and such exten-  
6 sion of term for such purpose shall be an exception to any  
7 inconsistent provision of this Act.

8 SEC. 211. ILLEGAL EXCHANGE AND TRAFFIC.—

9 Where, under the authority of this title, the Commission  
10 has closed all exchanges in the United States dealing in  
11 the purchase or sale of any commodity, it shall be unlawful  
12 for any person to establish an exchange or to deal or  
13 traffic in the purchase or sale of such commodity in any  
14 extemporized market or over-the-counter trade or in any  
15 other manner.

16 SEC. 212. EFFECTIVE DATE.—Notwithstanding the  
17 provisions of any other section of this Act, the effective  
18 date of this title shall be upon the declaration of any war  
19 between the United States and any foreign power or upon  
20 the declaration by the President that an emergency has  
21 arisen due to the possible future declaration of war or due  
22 to the existence of a state of war between two foreign  
23 powers. The effectiveness of this title shall cease upon a  
24 declaration by Congress that the emergency herein referred  
25 to has ceased to exist.

## 1 TITLE IV

## 2 SECURITIES EXCHANGE PROVISIONS

3 SECTION 301. SHORT TITLE.—This Act may be cited  
4 as the "War Securities Exchange Control Act."

5 SEC. 302. POWERS OF THE PRESIDENT.—In addition  
6 to all other powers possessed by the President by law as  
7 of the effective date of this title, and not in substitution  
8 therefor, the President may by proclamation close any or  
9 all exchanges where securities are bought, sold, or offered  
10 for sale and by rules or regulations prevent any public  
11 or private sale of any such securities. Such rules and regu-  
12 lations shall have the force and effect of law. Such procla-  
13 mation shall remain effective, if so intended by the Presi-  
14 dent, for the duration of the effectiveness of this title. For  
15 the purposes of this section, the word "security" shall be  
16 defined in like manner as the same is defined by section 2  
17 of the Securities Act of 1933, as amended by Act approved  
18 June 6, 1934, as in effect on March 15, 1935.

## 19 TITLE V

## 20 WAR FINANCE CONTROL

21 SECTION 401. SHORT TITLE.—This title may be cited  
22 as the "War Finance Control Act."

23 SEC. 402. FINANCE CONTROL COMMISSION.—There  
24 is hereby created the War Finance Control Commission,  
25 hereinafter in this title called the "Commission", to con-

1 sist of five members appointed by the President, with the  
2 advice and consent of the Senate, for a term of office to  
3 expire at the expiration date of this Act, unless sooner  
4 removed by the President in his discretion. Such members  
5 shall receive the same compensation and allowances as  
6 are paid to officers of the Regular Army of the rank of  
7 colonel. No such member, so appointed, shall refuse to  
8 serve as a member of such Commission. Neither during  
9 his term of office, nor thereafter on account of services ren-  
10 dered during such term, shall any such member receive,  
11 nor shall any person receive on his behalf, any reward,  
12 compensation, or emolument whatsoever from any source  
13 directly or indirectly regulated or affected by the provisions  
14 of this title, nor shall any member, attorney, agent or em-  
15 ployee of the Commission in any manner, directly or  
16 indirectly, participate in the determination of any question  
17 affecting his personal interest, or the interest of any cor-  
18 poration, partnership, association, or trust in which he is  
19 directly or indirectly interested.

20       SEC. 403. POWERS OF COMMISSION; APPROVAL OF  
21 SECURETIES.—No security may be registered with the  
22 Securities and Exchange Commission as provided in the  
23 Securities Act of 1933, as amended, and as in effect March  
24 15, 1935, or its successor in law or in fact, unless it shall  
25 have been approved previously by the Finance Control

1 Commission pursuant to the provisions of this title. No  
2 security the total or aggregate par, face, or actual value of  
3 which plus the aggregate par, face, or actual value of any  
4 other securities issued by the same person since the effec-  
5 tive date of this title, is in excess of \$100,000, shall be  
6 sold or offered for sale or for subscription either publicly  
7 or privately unless such security shall have been approved  
8 previously by the Finance Control Commission pursuant  
9 to the provisions of this title. Such approval shall be  
10 granted if the Commission find, after hearing held upon  
11 notice to any applicant for such approval, if such hearing  
12 is requested, that either—

13 (a) The security is part of a current transaction matur-  
14 ing in less than nine months;

15 (b) The security is issued solely in exchange for an  
16 outstanding security and that no money or other property  
17 consideration is involved in the transaction;

18 (c) The security is offered for resale, having been  
19 originally sold prior to the effective date of this Act or  
20 pursuant to its provisions; or

21 (d) The sale of such security is compatible with the  
22 public interest in the successful prosecution of war, and that  
23 the proceeds from the sale of such security will be applied  
24 to the extension or improvement of the capital plant or

1 efficiency of an industry, establishment, or agency necessary  
2 or desirable to the successful prosecution of war.

3 Under no circumstances shall the Commission grant ap-  
4 proval under this section if it shall find none of the pre-  
5 ceding conditions to exist, nor shall it grant such approval  
6 if it shall find that the proceeds from the sale of such securi-  
7 ties will or may be applied to purposes not connected with  
8 the successful prosecution of war or that the sale of such  
9 securities may attract or absorb funds potentially more use-  
10 ful to the successful prosecution of war.

11 SEC. 404. POWERS OF COMMISSION: FINANCING.—

12 The Commission may, upon application to the Commission  
13 by any officer or agent of the United States or upon appli-  
14 cation of any officer or agent of any industry, establishment,  
15 or agency, after finding that due to inadequate capital plant  
16 or other inadequate financial resources the efficiency or use-  
17 fulness of any such industry, establishment, or agency for  
18 the successful prosecution of war is impaired or impeded,  
19 loan or advance such sums as may in its judgment be neces-  
20 sary to eliminate such impaired or impeded usefulness or  
21 efficiency, upon such security, if any, as it deems necessary.

22 If such loan or advance is made upon application of any  
23 officer or agent of the United States, no reimbursement  
24 except interest at a rate to be fixed by the Commission  
25 shall be required during the effective date of this Act, but

1 the United States shall have a lien superior to all other  
2 liens for the repayment of such loan or advance upon all  
3 real assets or fixtures constructed or purchased with such  
4 funds.

5       SEC. 405. TAX CREDITS AND ALLOWANCES.—No de-  
6 preciation, amortization, exhaustion, wear and tear, obso-  
7 lescence, or other deduction shall be allowed or credited  
8 against gross income under any tax act, including title I  
9 of this Act, for any part or portion of the construction or  
10 purchase cost of any real asset or fixture constructed or  
11 purchased with funds provided by the Commission pursuant  
12 to section 404 of this title for any war or taxable period  
13 during which this Act is in effect.

14       SEC. 406. REVOLVING FUND; APPROPRIATION.—  
15 There is hereby authorized to be appropriated the sum of  
16 \$500,000,000 to be used by the Commission as a revolving  
17 fund for the purposes of making loans and advances pursuant  
18 to the provisions of section 404 of this title.

19       SEC. 407. DEFINITIONS.—Unless the context<sup>o</sup> other-  
20 wise requires, the definitions established by section 2 of the  
21 Security Act of 1933, as amended by Act approved June 6,  
22 1934, as in effect March 15, 1935, are hereby adopted as  
23 applicable to this title.

24       SEC. 408. PUBLICITY.—All approvals of securities  
25 made by the Commission pursuant to section 403 and all

1 loans or advances made pursuant to section 404 of this  
2 title shall be public records and shall be available for public  
3 inspection in such detail and under such reasonable rules  
4 and regulations as the Commission may prescribe.

5 SEC. 409. TIME LIMITATIONS ON ACTION.—Where  
6 ever in this title provision is made for an application to the  
7 Commission for any purpose, and such application is made,  
8 the Commission shall act upon such application within  
9 thirty days of the filing of same, or state publicly the reason  
10 for failing to do so.

11 SEC. 410. LIMITATION ON POWERS OF COMMIS-  
12 SION.—Nothing contained in this title shall be deemed to  
13 limit or control the power of the United States Government  
14 or any agency thereof to issue securities.

15 SEC. 411. LIMITATION OF EFFECT OF APPROVAL.—  
16 No action taken by the Commission pursuant to the provi-  
17 sion of section 403 of this title shall be construed as approv-  
18 ing the legality, validity, worth, or safety of any security.

## 19 TITLE VI

### 20 WAR RESOURCES CONTROL

21 SECTION 501. SHORT TITLE.—This title may be cited  
22 as "The War Resources Control Act."

23 SEC. 502. PRICES.—The President is hereby authorized,  
24 with respect to any product, foodstuff, material, real prop-  
25 erty, right, or service, declared by him essential for the

1 national security and defense in the prosecution of the war,  
2 to fix and establish just and reasonable, maximum, minimum,  
3 or absolute prices or rates or rentals at which such product,  
4 foodstuff, material, commodity, real property, right, or serv-  
5 ice may be bought, sold, rented, or otherwise contracted for,  
6 whether such transaction be with the Government or be-  
7 tween persons of the civilian population, on the basis of  
8 differentials established on the basis of pre-war parities as of  
9 any year or period of years, as the President may designate,  
10 prior to the declaration of war but not more than twenty  
11 years prior to such declaration. Prices fixed pursuant to  
12 the provisions of title III of this Act are not subject to the  
13 provisions of this section. Any such differential may be  
14 altered or modified from time to time as the President may  
15 direct. The President may also prescribe differentials based  
16 either on primary market or markets or upon zones or dis-  
17 tricts or may prescribe different prices or rates for different  
18 localities or for different uses in the same locality. The  
19 President is further authorized to fix and establish just and  
20 reasonable rates of profit, compensation, wage, or commis-  
21 sion which shall be allowed for the production, the manu-  
22 facture, the sale, the marketing, or the distribution of any  
23 such product, foodstuff, material, commodity, real property,  
24 right, or service. Any such rate, compensation, wage, or

1 commission may be altered or modified from time to time  
2 as the President may direct.

3       SEC. 503. PRIORITIES.—The President is hereby au-  
4 thorized, whenever he deems it necessary or advisable to  
5 the successful prosecution of the war, to—

6       (a) Fix and establish the order of preference to be  
7 observed (hereinafter called "priority") by any manu-  
8 facturer, producer, dealer, distributor, carrier, public utility,  
9 or other person whatsoever, in manufacturing, producing,  
10 filling existing or future contracts for, complying with requi-  
11 sitions or orders for, transporting, distributing, or delivering  
12 of, or

13       (b) Regulate, limit, or prohibit the purchase, sale, use,  
14 transportation, manufacture, or distribution of any product,  
15 foodstuff, material, commodity, real estate, right, or service.

16       SEC. 504. REQUISITIONS.—The President is author-  
17 ized, whenever he deems it necessary or advisable to the  
18 successful prosecution of war, to requisition and take pos-  
19 session of any product, foodstuff, materials, commodity, real  
20 property, or right, and on such terms as he may deem  
21 desirable to sell or otherwise dispose of such product, food-  
22 stuff, material, commodity, real property, or right. For  
23 compliance with any such requisition the United States shall  
24 make just compensation, to be determined by the President.  
25 If the compensation so determined be unsatisfactory to the

1 person entitled to receive the same, such person shall be  
2 paid 75 per centum thereof, and shall be entitled to sue  
3 the United States immediately upon the close of war to  
4 recover such further sum as added to said 75 per centum  
5 will make up such amount as will be just compensation  
6 therefor, and jurisdiction is hereby conferred, regardless  
7 of the amount in controversy, on the United States District  
8 Court for the district in which such product, foodstuff,  
9 material, commodity, real property, or right is situated to  
10 hear and determine all such controversies in the manner  
11 provided for by section 24, paragraph 20, of the Judicial  
12 Code: *Provided*, That no court shall have jurisdiction to  
13 entertain suit, whatever the character, of either party,  
14 plaintiff or defendant, to restrain or enjoin requisition, by  
15 the Government of the United States, under this section.

16 Any moneys received by the United States for or in  
17 connection with the sale or disposition of any product,  
18 foodstuff, material, commodity, real property, right, or  
19 service pursuant to this title may, in the discretion of the  
20 President, be used as a revolving fund for further carrying  
21 out the purposes of this title.

22 SEC. 505. LICENSES.—(a) From time to time when-  
23 ever the President shall find it essential to license the  
24 production, manufacture, sale, storage, distribution, or trans-  
25 portation of any product, foodstuff, material, commodity,

1 real property, right, or service, in order to carry into effect  
2 any of the purposes of this title to and in the successful  
3 prosecution of war, and shall publicly so announce, it shall  
4 be unlawful for any person, after a date fixed in the an-  
5 nouncement, to engage in or carry on any such business  
6 enumerated in this section, unless he shall secure and hold  
7 a license pursuant to this section.

8 (b) The President is authorized to issue such licenses,  
9 to fix the conditions of such licenses, and to prescribe  
10 requirements for systems of accounts and auditing of  
11 accounts to be kept by licensees, submission of reports by  
12 them with or without oath or affirmation, and the entry  
13 and inspection by the President's duly authorized agents  
14 of the places of business of licensees. The President may  
15 order the revocation of the licenses of any licensee who fails  
16 to comply with any condition of or in a license, or who  
17 fails to observe any price, rate, wage, or priority fixed or  
18 established pursuant to this title, or who fails to perform  
19 or comply with any contract, requisition, or requirement of  
20 the United States, or otherwise fails to comply with the  
21 provisions contained in such license.

22 SEC. 506. CONSERVATION OF RESOURCES.—The Presi-  
23 dent is authorized, whenever he deems it necessary or advis-  
24 able to the successful prosecution of the war, to promulgate  
25 and enforce rules and regulations against waste, destruction,

1 hoarding, speculation, and profiteering with respect to any  
2 product, foodstuff, material, commodity, real property, right,  
3 or service.

4       SEC. 507. ADMINISTRATION OF TITLE.—The authority  
5 and power conferred by this title may be exercised under  
6 the direction and during the pleasure of the President,  
7 through any department, establishment, service, agency, or  
8 officer of the United States, or any person designated by  
9 the President for the purpose, and to that end he is author-  
10 ized to create or provide for such additional agencies of the  
11 Government and prescribe such rules and regulations as he  
12 may deem necessary; and for the duration of the emergency  
13 only, the President is authorized to regroup, redistribute, or  
14 reassign duties and functions of procurement of war supplies  
15 for the Military and Naval Establishments: *Provided*, That  
16 no one appointed or designated by the President hereunder  
17 shall in any manner, directly or indirectly, participate in  
18 the determination of any questions affecting his personal  
19 interests, or the interests of any corporation, partnership,  
20 association, or trust in which he is directly or indirectly  
21 interested.

22       SEC. 508. RULES AND REGULATIONS.—Rules and  
23 regulations made by the President under this title shall have  
24 the force and effect of law,

## TITLE VII

## GENERAL PROVISIONS

SECTION 601. SHORT TITLE.—This Act may be cited as the "War Emergency Act."

SEC. 602. GENERAL POWERS OF BOARD OR COMMISSIONS.—Any board or commission created pursuant to the provisions shall be a body corporate in name and deed and shall establish and maintain a general office in the District of Columbia. Such board or commission may rent suitable offices for its use, and purchase such furniture, equipment, and supplies as may be necessary. Such board or commission is authorized to appoint and dismiss at pleasure such officers and employees as are necessary to execute its functions under this Act, and fix their salaries and compensation, and may delegate to such officers and employees by designation in writing such part of its authority as may be necessary to the efficient execution of its powers and functions. Such board or commission shall have power to make all rules and regulations appropriate and necessary to the execution of its functions, duties, and powers under this Act and such rules and regulations shall have the force and effect of law. Such board or commission may make such expenditures as are necessary to execute its functions under this Act, which shall be allowed and paid upon the presentation of itemized vouchers therefor approved by the chairman

1 of the committee. Such board or commission shall make  
2 a report to Congress on the first day of each regular session,  
3 which shall include the names and compensation of all of  
4 its officers and employees. There is hereby authorized to  
5 be appropriated such amounts as may be necessary to the  
6 proper execution of the purposes of this Act.

7 SEC. 603. SUSPENSION OF CONFLICTING AND INCON-  
8 SISTENT ACTS.—All Acts or parts of Acts conflicting or  
9 inconsistent with the provisions of this Act are to the extent  
10 of such conflict or inconsistency suspended during the ef-  
11 fectiveness of this Act.

12 SEC. 604. CRIMINAL PENALTIES.—Any person who  
13 willfully violates any provisions of this Act or any of the  
14 rules and regulations made thereunder shall, unless other  
15 criminal penalties be provided herein for such violation, be  
16 guilty of a misdemeanor, and shall upon conviction thereof,  
17 be fined not more than \$100,000 or imprisoned for not more  
18 than one year, or both, together with the costs of pros-  
19 ecution.

20 SEC. 605. SUCCESSION TO RIGHTS AND DUTIES.—On  
21 the expiration of this Act, the United States of America  
22 shall be successor to the rights and duties acquired or in-  
23 curred by any board or commission created by this Act.

24 SEC. 606. SEPARABILITY CLAUSE.—If any pro-  
25 visions of this Act, or the application thereof to any person

1 or circumstances, is held invalid, the remainder of the Act,  
2 and the application of such provision to other persons and  
3 circumstances, shall not be affected thereby.

4       SEC. 607. EFFECTIVE DATE.—Except as otherwise  
5 specifically provided herein, the provisions of this Act shall  
6 take effect immediately upon any declaration of war by the  
7 United States and shall continue in full force and effect  
8 until the termination of such war and the declaration by  
9 Congress that the emergency created by such war has ceased  
10 to exist.

[COMMITTEE PRINT]

APRIL 2, 1935

74<sup>TH</sup> CONGRESS }  
1<sup>ST</sup> SESSION }

S.

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**A BILL**

To provide revenue and facilitate the regulation and control of the economic and industrial structure of the Nation for the successful prosecution of war, and for other purposes.

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By Mr. \_\_\_\_\_

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APRIL —, 1935

Read twice and referred to the Committee on

[April 11, 1935; see Hull, Memoirs,  
I, 403]

[Apr. 11, 1935] PSF: Neutrality

P.F.

MEMORANDUM

COOPERATION WITH THE NYE COMMITTEE

It is my understanding that in your conference with the Nye Committee there was some reference to a further conference between you and the Committee on your return to Washington. I am informed that the Committee will request another conference in the near future. In view of the importance of the questions involved, I respectfully suggest that you may wish to give consideration to the following observations.

There are four phases of the activities of the Nye Committee to which I invite your attention -- Neutrality, Taking the Profits Out of War, Control of the Arms Traffic, and the Investigation of Loans Made by the Allied Powers through American Banks in the Period 1914-17.

NEUTRALITY

The Nye Committee had not, before their recent conference with you, contemplated the introduction of legislation modifying our neutrality policy. Something which was said in that conference was interpreted by some of the members of the Committee as a desire on your part that the Committee study that problem and, after a further conference with you, introduce appropriate legislation. In statements given to the press by Senator Nye, the impression was given that at your request the Committee was turning aside from other problems which it had in hand to expedite the preparation of draft legislation on neutrality. A few days later, statements were published to the effect that the Committee was in practical agreement

on

on the type of legislation which should be introduced. Thereupon Senator Pittman called me by telephone and protested in his own name and in that of Senator Borah against what was construed as an attempt of the Executive to charge the Nye Committee with the preparation of legislation on a subject which, under the rules of the Senate, and according to precedent, properly fell within the jurisdiction of the Committee on Foreign Relations. I brought Senator Pittman's observation to the attention of members of the Nye Committee and I am informed that the Committee thereupon decided not to go forward with the preparation of legislation on all phases of our neutrality policy. However, the report which the Committee made to the Senate on April 1 contains the following Article:

"IV. The Committee is in substantial agreement on a principle to govern the export of munitions and contraband in case of a major war, and expects to make certain recommendations to the Senate on this subject in the immediate future and for action in the present session of Congress. This is the only phase of the neutrality problem which the Committee considers to be within its jurisdiction."

This phase of the neutrality problem is sufficiently broad to cover most of the important of the questions with which neutrality legislation would be likely to deal. It is my understanding that the Committee at its conference with you will probably present a draft of legislation on this subject, for your approval.

You may wish to refrain from committing yourself to the support of any specific legislation in respect to neutrality at this time. There is apparently great diversity of opinion among your closest advisers as to the  
proper

proper method of dealing with this subject and certainly great diversity of public opinion. I am informed that the leaders in the Senate are opposed to the raising of any question of foreign policy which would result in acrimonious discussion and in delaying action on necessary domestic legislation. Furthermore it is contended that in view of the present situation in Europe, discussion of this question at this time would tend to arouse unjustifiable fears of imminent war. The subject is so complicated in respect to domestic law, international law and questions of policy that you may deem it unwise for the Administration to commit itself to the support of any specific program of legislation until the subject has been further studied and until a program can be drawn up on which your advisers are in substantial agreement.

A Committee of the Department has been studying this problem for some time and I am prepared to submit to you, if you so desire, a draft of possible legislative provisions. This draft may be of assistance to you in considering this subject although I am not prepared to advocate this or any other specific program for legislation on this subject at this time.

LEGISLATION TO TAKE THE PROFITS OUT OF WAR

I have been informed that from something said in your conference with the Nye Committee, members of the Committee have inferred that you approved the draft of the bill to take the profits out of war which the Committee was then considering. The report which the Committee made

to

to the Senate on April 1, contains the following articles:

"II. The Committee is in substantial agreement on a very thorough plan to take the profits out of war and to equalize the economic burden of war, and expects to report on this subject to the Senate legislation on the matter in the immediate future, and for action in the present session of Congress. This relates to the actual period of war only. The presentation of this report and the legislation covers one of the three major obligations imposed upon the Committee.

"III. The Committee is emphatically convinced that no bill which contains only general authorizations to the President to fix prices or to commandeer industry or to arrange for priorities and licensing is at all adequate 'to equalize the burdens and take the profits out of war'."

Article III refers to the McSwain Bill which, in amended form, passed the House on April 9.

There are attached hereto a digest of the Committee's bill and a copy of the text.

The Senate, in setting up the Nye Committee, charged it, among other things, "to review the findings of the War Policies Commission and to recommend .... specific legislation". The attached bill constitutes the "specific legislation" which the Committee was charged to prepare.

Taking the profits out of war is a difficult thing to accomplish as past experience has demonstrated. It may be doubted whether any means can be found to accomplish it to the extent to which some proponents of the idea appear to believe possible. You may regard it as wise to refrain from committing yourself to support any specific legislation on this subject, until a great deal of further careful study has enabled the Administration to formulate some definite program for dealing with this complicated matter. An attitude of complete neutrality on the part of the Administration may perhaps be particularly desirable at this time when there is so much controversy in Congress between the proponents of rival bills.

CONTROL OF THE ARMS TRAFFIC

Two principal methods have been suggested for dealing with the evils of the international traffic in arms.

The suggestion has been made in various quarters that a Government monopoly of the manufacture of and trade in arms and implements of war is the best method of dealing with the evils which have arisen from the present lack of Governmental supervision and control in that field. From various public statements made by Senator Nye, it would appear that this is the solution which he favors. The Committee has not, however, committed itself to this program and there appears to be reason to hope that it may be willing to support a program in accord with the policy of the Administration. In your discussion with Mr. Phillips and Mr. Green of our telegram of May 28, 1934, to Norman Davis, you decided, wisely I believe, that although the elimination of all private manufacture of arms and munitions might be admirable as an ultimate objective, it is not feasible at this time.

Since the negotiation of the Arms Traffic Convention of 1925, this Government has consistently followed the policy of attempting to establish, by international agreement, a system of supervision and control of the international traffic in arms based upon export and import licenses and full publicity. Under your administration, we have proceeded one step further and have attempted to establish by international agreement a similar system of licenses and publicity for the manufacture of arms.

Although

Although this Government has been foremost during the last two years in efforts to obtain an international agreement along the lines I have indicated, we have lagged behind almost all the other civilized nations of the world in our domestic legislation. The Nye Committee, asked Mr. Green of the Department to prepare a draft of legislation following the principles embodied in the Draft Articles now under discussion in Geneva, insofar as they could be put into effect by constitutional legislation in advance of the Convention. Mr. Green was authorized by me to comply with the Committee's request and he has submitted a draft of legislation to the Committee. I attach a copy of this draft legislation. Two Articles -- 5a and 5b -- were submitted separately because they embody the principle of the Arms Embargo Resolution, which encountered opposition in the Senate. Should the Committee decide to present this legislation, it might wish to omit these articles, in order to avoid the controversy which arose when the Arms Embargo Resolution was under discussion. Should the Committee decide otherwise, these Articles could be incorporated in the draft legislation. I believe that this draft legislation embodies the wisest and most practical method of dealing with the evils inherent in the manufacture of and traffic in arms.

The Committee has apparently in recent weeks been diverted from its original interest in the supervision of the arms traffic by its interest in neutrality legislation and legislation designed to take the profits out of war. I believe a word from you in support of this draft legislation might serve to concentrate the efforts

of the Committee on this subject and to accomplish some tangible result. I suggest, therefore, that you tell the Committee that you have been informed that Mr. Green has, at the Committee's request, presented a draft of legislation to establish some measure of supervision and control of the manufacture of and traffic in arms; that you understand that the Committee now has this legislation under consideration; that this legislation is based upon the same principles as the Draft Articles which are now under discussion in Geneva; that you hope that the Committee may decide to report favorably on legislation of this type; and that if so you are prepared to give the Committee the backing of the Administration in this matter and, if circumstances appear to warrant it, to send an appropriate Message to Congress.

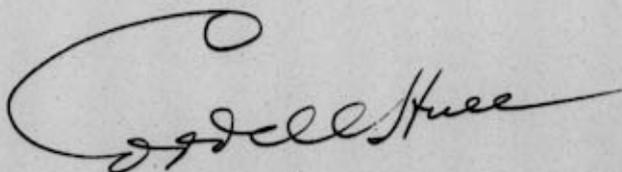
INVESTIGATION OF LOANS MADE BY THE ALLIED  
POWERS THROUGH AMERICAN BANKS 1914-17.

The Committee, in connection with its study of methods to take the profits out of war, is proceeding with the examination of documents in the files of the Guaranty Trust Company of New York pertaining to the dealings between that Bank and the British Government in 1916 and with documents from the files of the Central Hanover Bank of New York in regard to the French loan of April 1, 1917, made by the Central Union Trust Company of New York, predecessor of the Central Hanover Bank. The Committee is proposing to examine several thousand documents in the files of J. P. Morgan and Company, relating to the dealings between the British  
Government

Government and that Bank in 1914-17. The British and French Ambassadors, acting under instructions of their Governments, have protested against this procedure. Mr. John W. Davis, acting as counsel for two of the Banks, has drawn up a brief, questioning the legal right of the Committee to examine the documents in question. My legal advisers do not believe that the legal arguments of the British and French Governments and of Mr. Davis are well founded. Nevertheless, as there is a question of international comity involved, I approached the Chairman of the Committee and suggested that he refrain from this phase of its proposed investigation. This suggestion was not agreeable to Senator Nye. He agreed, however, that none of the documents in question, the publicity of which might result in embarrassment to the British and French Governments, would be published until they had been referred to me and I had had an opportunity to consult the interested Ambassador in order to ascertain the attitude of his Government. This agreement did not satisfy the Ambassadors who, acting under instructions, object on principle to any examination of the documents by the Committee whether their contents are made public or not.

Waiving the question of the legal right of the Committee in the premises, I recommend that in your conference with the Committee, you urge that it do not proceed with the examination of these documents. The proposed action of the Committee would result in irritating the British and French Governments and it is difficult to conceive that any useful purpose could be served by a study of these documents. It can scarcely be maintained  
with

with reason that such a study is a necessary preliminary to the study of legislation for taking profits out of war particularly as the Committee has already prepared its Bill on that subject.

A handwritten signature in cursive script, appearing to read "C. G. Hull". The signature is written in dark ink and is centered on the page.

**Enclosures:**

1. The Nye Committee report to the Senate of April 1, 1935.
2. Digest of the Committee's Bill to take the profits out of war.
3. Copy of the Committee's Bill to take the profits out of war.
4. Draft Bill to Control the trade in arms and implements of war prepared in the Department of State.

4

PSF  
Neutrality

DRAFT BILL

NATIONAL MUNITIONS ACT

AN ACT

To control the trade in arms, ammunition and implements of war.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purposes of this Act--

(a) The term "Board" means the National Munitions Control Board which is hereby established to carry out the provisions of this Act. The Board shall consist of the Secretary of State, who shall be chairman and executive officer of the Board, the Secretary of the Treasury, the Secretary of War, the Secretary of the Navy, and the Secretary of Commerce. Except as otherwise provided in this Act or by other law, the administration of this Act is vested in the Department of State;

(b) The term "United States" when used in a geographical sense includes the several States and Territories, the insular possessions of the United States (including the Philippine Islands), the Canal Zone and the District of Columbia;

(c) The term "person" includes a partnership, company, association or corporation, as well as a natural person.

SEC. 2. The President is hereby authorized to proclaim from time to time a list of articles which shall be considered arms, ammunition and implements of war for the purposes of this Act.

SEC. 3

SEC. 3 (a) Within ninety days after the effective date of this Act or upon first engaging in business every person who engages in the business of exporting or importing any of the arms, ammunition and implements of war, whether as an exporter, importer, manufacturer or dealer, shall register with the Secretary of State his name, or style, principal place of business, and places of business in the United States, and a list of the arms, ammunition and implements of war, which he habitually exports, imports, or is equipped to manufacture for import.

(b) Every person required to register under the provisions of this section shall pay a registration fee of \$500.00 and upon receipt of such fee the Secretary of State shall issue a registration certificate valid for five years which shall be renewable for further periods of five years upon the payment for each renewal of a fee of \$500.00.

(c) Every person required to register under this section shall notify the Secretary of State of any change in the arms, ammunition, and implements of war which he habitually exports, imports or is equipped to

to manufacture; and upon such notification the Secretary of State shall issue to such person an amended certificate of registration, free of charge, which shall remain valid until the date of expiration of the original certificate.

(d) It shall be unlawful for any person required to register under the provisions of this section to import or export any of the arms, ammunition or implements of war without having registered in accordance with the provisions of this section.

SEC. 4. It shall be unlawful for any person to export, or attempt to export, from the United States any arms, ammunition or implements of war to any other country or to import, or attempt to import, to the United States from any other country any arms, ammunition or implements of war without first having obtained a license therefor from the Department of State.

SEC. 5. No licenses shall be issued to persons who have failed to register as provided for in Section 3, nor shall licenses be issued for the export of arms, ammunition and implements of war unless the government of the country to which such arms are to be exported has indicated to the satisfaction of the Secretary of State that permission for the importation has been accorded; Provided, however, That no licenses shall be issued for the export of toxic gases or instruments designed for their use in warfare.

SEC. 6

SEC. 6. (a) Any arms, ammunition or implements of war which have at any time been exported or imported or which it has been attempted to export or import, in violation of the provisions of this Act shall be subject to seizure and forfeiture.

(b) In the case of the forfeiture of any arms, ammunition or implements of war by reason of a violation of this act, no notice of public sale shall be required; no such arms, ammunition or implements of war shall be sold at public sale, but they shall be delivered to the Secretary of War; and the Secretary of War may order such arms, ammunition or implements of war destroyed or may retain them for the use of the armed forces of the United States.

SEC. 7. (a) The Secretary of State, after consultation with the Board, shall issue regulations for carrying out the provisions of this Act.

(b) The Board shall be called by the Chairman and shall hold at least one meeting a year. It shall furnish the Secretary of State such advice and information as he may request. The Secretary of the Treasury shall issue such regulations with regard to the export and import of arms, ammunition and implements of war as may be necessary for carrying out the provisions of this Act.

SEC. 8. (a) No purchases of arms, ammunition and implements of war shall be made on behalf of the United States by any officer, executive department, or independent establishment of the Government from any person who shall

shall have failed to register under the provisions of Section 3 of this Act.

(b) Any contract in violation of the provisions of this section is hereby declared to be contrary to the public policy of the United States, shall not be enforceable in any court of the United States and shall not afford any basis for the granting of legal or equitable relief by any such court.

SEC. 9. No sale of arms, ammunition or implements of war shall be made on behalf of the United States by any officer, executive department or independent establishment of the Government to any foreign Government. The Act of August 29, 1916, relating to the sale of ordnance and stores to the Government of Cuba, is hereby abrogated.

SEC. 10. All persons required to register under Section 3 of this Act shall maintain such permanent records of manufacture, importation and exportation of arms, ammunition and implements of war as the Board shall prescribe.

SEC. 11. Any person who violates or fails to comply with any of the requirements of this Act or any regulations under this Act shall, on conviction, be fined not more than \$10,000. or be imprisoned for not more than five years, or both, in the discretion of the court.

SEC. 12.

SEC. 12. The sum of \$25,000 is hereby authorized to be appropriated out of any money in the Treasury not otherwise appropriated to be expended by the Secretary of State for the expenses of the Board in carrying out the duties as aforesaid.

SEC. 13. The Board shall make an annual report to Congress, copies of which shall be distributed as are other reports transmitted to Congress. Such report shall contain such information and data collected by the Board as may be considered of value in the determination of questions connected with the control of trade in arms, ammunition and implements of war. It shall include a list of all persons required to register under the provisions of Section 3 and full information concerning the licenses issued under the provisions of Section 4.

SEC. 14. If any provision of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances shall not be affected thereby.

SEC. 15. This Act shall take effect on the ninetieth day after the date of its enactment.

SEC. 16. This Act may be cited as the "National Munitions Act".

Additional Articles

SEC. 5. (a) Whenever the President finds that in any part of the world conditions exist such that the shipment of arms, ammunition or implements of war from countries which produce these commodities may promote or encourage the employment of force in the course of a dispute or conflict between nations, and after having secured the cooperation of such governments as the President deems necessary he shall make proclamation thereof, no licenses for the export of the arms, ammunition or implements of war listed in Section 2 shall be issued except under such limitations and exceptions as the President may prescribe, from any place in the United States to such country or countries as he may designate until otherwise ordered by the President, or by Congress.

(b) Whenever the President finds that in any part of the world conditions exist such that the shipment of arms, ammunition or implements of war from countries which produce these commodities may promote or encourage the employment of force in the course of a dispute or conflict within a nation, and after having secured the cooperation of such governments as the President deems necessary he shall make proclamation thereof, no licenses for the export of the arms, ammunition or implements of war listed in Section 2 shall be issued except under such limitations and exceptions as the President may prescribe, from any place in the United States to such country or countries as he may designate until otherwise ordered by the President or by Congress.

PSF: Neutrality

THE UNDER SECRETARY OF STATE  
WASHINGTON

*Fill*

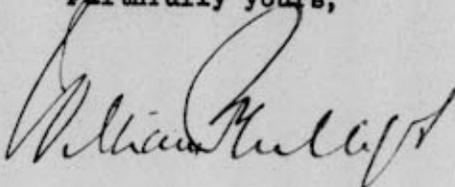
October 30, 1935.

Dear Mr. President:

I am enclosing herewith the two statements which the Secretary and I discussed with you yesterday. The Secretary gave out his statement at 12:30 today.

I hope I have prepared your statement in accordance with your wishes.

Faithfully yours,



The President

The White House.

DEPARTMENT OF STATE  

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THE UNDERSECRETARY

*The Secretary's  
Statement*

THE OVERSEAS NEWS  
PUBLISHED BY THE  
OVERSEAS NEWS

A member of the press having made inquiry as to whether the United States Government is keeping in touch with exports to the belligerent countries, the Secretary said: "We have been and are each day giving the most diligent and earnest attention to this and other phases of our situation as it relates to the Ethiopian-Italian controversy. At this stage I reiterate and call special attention to the definite implications and the effect of the policy of this Government to discourage dealings with the two belligerent nations as set forth in the President's public statement of October 5 and my statement of October 10 warning our people not to trade with the belligerents except at their own risk. The ~~general~~ policy of the government as thus defined rests upon the recent neutrality act designed to keep the nation out of war, and upon the further purpose not to aid in protracting the war.

It is my opinion that our citizens will not be disposed to insist upon transactions to derive war profits at the expense of human lives and human misery. In this connection, I again repeat that an early peace with the restoration of normal business and normal business profits is far sounder and far preferable to temporary and risky war profits."

*B. Neutrality*

*Subject File*

*file  
personal*

ASSISTANT SECRETARY OF STATE  
WASHINGTON

December 31, 1935.

Dear Mr. President:

There are one or two points with reference to the Neutrality Bill which I think you will wish to consider in advance of the conference this afternoon.

Enclosed is a printed copy of the existing law. The more the matter has been thought about here, the more we are inclined to believe that the law is sufficiently flexible in declaring that a proclamation shall be made and the embargo become effective "upon the outbreak or during the progress of war between or among two or more foreign states". My belief is that the Senate will insist on that provision or a provision of that character being retained. But also enclosed is a redraft of the section which would make it more flexible, and which in all probability the Senate would reject.

A new section has to be considered pertaining to the executive authority relative to articles such as oil, copper, steel, and iron that can be readily used or converted for use in conducting war. The question will be raised as to whether the Executive should be given authority to embargo the export of such articles or simply restrict their  
export

The President,  
The White House.

- 2 -

export to a normal quantity, say based on the average for five preceding years. You may expect a great deal to be said on this subject.

Yours very sincerely,

*Roulette*

Enclosures:  
As stated.

[PUBLIC RESOLUTION—No. 67—74TH CONGRESS]

[S. J. Res. 173]

JOINT RESOLUTION

Providing for the prohibition of the export of arms, ammunition, and implements of war to belligerent countries; the prohibition of the transportation of arms, ammunition, and implements of war by vessels of the United States for the use of belligerent states; for the registration and licensing of persons engaged in the business of manufacturing, exporting, or importing arms, ammunition, or implements of war; and restricting travel by American citizens on belligerent ships during war.

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That upon the outbreak or during the progress of war between, or among, two or more foreign states, the President shall proclaim such fact, and it shall thereafter be unlawful to export arms, ammunition, or implements of war from any place in the United States, or possessions of the United States, to any port of such belligerent states, or to any neutral port for transshipment to, or for the use of, a belligerent country.

The President, by proclamation, shall definitely enumerate the arms, ammunition, or implements of war, the export of which is prohibited by this Act.

The President may, from time to time, by proclamation, extend such embargo upon the export of arms, ammunition, or implements of war to other states as and when they may become involved in such war.

Whoever, in violation of any of the provisions of this section, shall export, or attempt to export, or cause to be exported, arms, ammunition, or implements of war from the United States, or any of its possessions, shall be fined not more than \$10,000 or imprisoned not more than five years, or both, and the property, vessel, or vehicle containing the same shall be subject to the provisions of sections 1 to 8, inclusive, title 6, chapter 30, of the Act approved June 15, 1917 (40 Stat. 223-225; U. S. C., title 22, secs. 238-245).

In the case of the forfeiture of any arms, ammunition, or implements of war by reason of a violation of this Act, no public or private sale shall be required; but such arms, ammunition, or implements of war shall be delivered to the Secretary of War for such use or disposal thereof as shall be approved by the President of the United States.

When in the judgment of the President the conditions which have caused him to issue his proclamation have ceased to exist he shall revoke the same and the provisions hereof shall thereupon cease to apply.

Except with respect to prosecutions committed or forfeitures incurred prior to March 1, 1936, this section and all proclamations issued thereunder shall not be effective after February 29, 1936.

SEC. 2. That for the purposes of this Act—

(a) The term "Board" means the National Munitions Control Board which is hereby established to carry out the provisions of this

Act. The Board shall consist of the Secretary of State, who shall be chairman and executive officer of the Board; the Secretary of the Treasury; the Secretary of War; the Secretary of the Navy; and the Secretary of Commerce. Except as otherwise provided in this Act, or by other law, the administration of this Act is vested in the Department of State;

(b) The term "United States" when used in a geographical sense, includes the several States and Territories, the insular possessions of the United States (including the Philippine Islands), the Canal Zone, and the District of Columbia;

(c) The term "person" includes a partnership, company, association, or corporation, as well as a natural person.

Within ninety days after the effective date of this Act, or upon first engaging in business, every person who engages in the business of manufacturing, exporting, or importing any of the arms, ammunition, and implements of war referred to in this Act, whether as an exporter, importer, manufacturer, or dealer, shall register with the Secretary of State his name, or business name, principal place of business, and places of business in the United States, and a list of the arms, ammunition, and implements of war which he manufactures, imports, or exports.

Every person required to register under this section shall notify the Secretary of State of any change in the arms, ammunition, and implements of war which he exports, imports, or manufactures; and upon such notification the Secretary of State shall issue to such person an amended certificate of registration, free of charge, which shall remain valid until the date of expiration of the original certificate. Every person required to register under the provisions of this section shall pay a registration fee of \$500, and upon receipt of such fee the Secretary of State shall issue a registration certificate valid for five years, which shall be renewable for further periods of five years upon the payment of each renewal of a fee of \$500.

It shall be unlawful for any person to export, or attempt to export, from the United States any of the arms, ammunition, or implements of war referred to in this Act to any other country or to import, or attempt to import, to the United States from any other country any of the arms, ammunition, or implements of war referred to in this Act without first having obtained a license therefor.

All persons required to register under this section shall maintain, subject to the inspection of the Board, such permanent records of manufacture for export, importation, and exportation of arms, ammunition, and implements of war as the Board shall prescribe.

Licenses shall be issued to persons who have registered as provided for, except in cases of export or import licenses where exportation of arms, ammunition, or implements of war would be in violation of this Act or any other law of the United States, or of a treaty to which the United States is a party, in which cases such licenses shall not be issued.

The Board shall be called by the Chairman and shall hold at least one meeting a year.

No purchase of arms, ammunition, and implements of war shall be made on behalf of the United States by any officer, executive

department, or independent establishment of the Government from any person who shall have failed to register under the provisions of this Act.

The Board shall make an annual report to Congress, copies of which shall be distributed as are other reports transmitted to Congress. Such report shall contain such information and data collected by the Board as may be considered of value in the determination of questions connected with the control of trade in arms, ammunition, and implements of war. It shall include a list of all persons required to register under the provisions of this Act, and full information concerning the licenses issued hereunder.

The Secretary of State shall promulgate such rules and regulations with regard to the enforcement of this section as he may deem necessary to carry out its provisions.

The President is hereby authorized to proclaim upon recommendation of the Board from time to time a list of articles which shall be considered arms, ammunition, and implements of war for the purposes of this section.

This section shall take effect on the ninetieth day after the date of its enactment.

Sec. 3. Whenever the President shall issue the proclamation provided for in section 1 of this Act, thereafter it shall be unlawful for any American vessel to carry any arms, ammunition, or implements of war to any port of the belligerent countries named in such proclamation as being at war, or to any neutral port for transshipment to, or for the use of, a belligerent country.

Whoever, in violation of the provisions of this section, shall take, attempt to take, or shall authorize, hire, or solicit another to take any such vessel carrying such cargo out of port or from the jurisdiction of the United States shall be fined not more than \$10,000 or imprisoned not more than five years, or both; and, in addition, such vessel, her tackle, apparel, furniture, equipment, and the arms, ammunition, and implements of war on board shall be forfeited to the United States.

When the President finds the conditions which have caused him to issue his proclamation have ceased to exist, he shall revoke his proclamation, and the provisions of this section shall thereupon cease to apply.

Sec. 4. Whenever, during any war in which the United States is neutral, the President, or any person thereunto authorized by him, shall have cause to believe that any vessel, domestic or foreign, whether requiring clearance or not, is about to carry out of a port of the United States, or its possession, men or fuel, arms, ammunition, implements of war, or other supplies to any warship, tender, or supply ship of a foreign belligerent nation, but the evidence is not deemed sufficient to justify forbidding the departure of the vessel as provided for by section 1, title V, chapter 30, of the Act approved June 15, 1917 (40 Stat. 1; U. S. C., title 18, sec. 31), and if, in the President's judgment, such action will serve to maintain peace between the United States and foreign nations, or to protect the commercial interests of the United States and its citizens, or to promote the security of the United States, he shall have the power and it shall be his duty to require the owner, master, or

<sup>1</sup> So in original.

person in command thereof, before departing from a port of the United States, or any of its possessions, for a foreign port, to give a bond to the United States, with sufficient sureties, in such amount as he shall deem proper, conditioned that the vessel will not deliver the men, or the cargo, or any part thereof, to any warship, tender, or supply ship of a belligerent nation; and, if the President, or any person thereunto authorized by him, shall find that a vessel, domestic or foreign, in a port of the United States, or one of its possessions, has previously cleared from such port during such war and delivered its cargo or any part thereof to a warship, tender, or supply ship of a belligerent nation, he may prohibit the departure of such vessel during the duration of the war.

SEC. 5. Whenever, during any war in which the United States is neutral, the President shall find that special restrictions placed on the use of the ports and territorial waters of the United States, or of its possessions, by the submarines of a foreign nation will serve to maintain peace between the United States and foreign nations, or to protect the commercial interests of the United States and its citizens, or to promote the security of the United States, and shall make proclamation thereof, it shall thereafter be unlawful for any such submarine to enter a port or the territorial waters of the United States or any of its possessions, or to depart therefrom, except under such conditions and subject to such limitations as the President may prescribe. When, in his judgment, the conditions which have caused him to issue his proclamation have ceased to exist, he shall revoke his proclamation and the provisions of this section shall thereupon cease to apply.

SEC. 6. Whenever, during any war in which the United States is neutral, the President shall find that the maintenance of peace between the United States and foreign nations, or the protection of the lives of citizens of the United States, or the protection of the commercial interests of the United States and its citizens, or the security of the United States requires that the American citizens should refrain from traveling as passengers on the vessels of any belligerent nation, he shall so proclaim, and thereafter no citizen of the United States shall travel on any vessel of any belligerent nation except at his own risk, unless in accordance with such rules and regulations as the President shall prescribe: *Provided, however,* That the provisions of this section shall not apply to a citizen traveling on the vessel of a belligerent whose voyage was begun in advance of the date of the President's proclamation, and who had no opportunity to discontinue his voyage after that date: *And provided further,* That they shall not apply under ninety days after the date of the President's proclamation to a citizen returning from a foreign country to the United States or to any of its possessions. When, in the President's judgment, the conditions which have caused him to issue his proclamation have ceased to exist, he shall revoke his proclamation and the provisions of this section shall thereupon cease to apply.

SEC. 7. In every case of the violation of any of the provisions of this Act where a specific penalty is not herein provided, such violator or violators, upon conviction, shall be fined not more than \$10,000 or imprisoned not more than five years, or both.

SEC. 8. If any of the provisions of this Act, or the application thereof to any person or circumstance, is held invalid, the remainder of the Act, and the application of such provision to other persons or circumstances, shall not be affected thereby.

SEC. 9. The sum of \$25,000 is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, to be expended by the Secretary of State in administering this Act.

Approved, August 31, 1935.

REVISED DRAFT OF SECTIONS 3 AND 4 OF DRAFT NO. 4 OF  
DECEMBER 12, 1935.

SEC. 3. EXPORT OF ARMS, AMMUNITION, AND IMPLEMENTS OF WAR.

(a) Whenever during any war in which the United States is neutral, the President shall find that the prohibition of the shipment of arms, ammunition, or implements of war from the United States will serve to maintain peace and discourage war, or to protect the commercial and economic interests of the United States and its nationals, or to promote the security or preserve the neutrality of the United States and shall so proclaim, it shall thereafter be unlawful to export, or attempt to export, or cause to be exported, or sell for export, any such articles from any place in the United States to any belligerent country, named in the proclamation, or to any neutral country for transshipment to or for the use of any such belligerent country: Provided, That any prohibition of export shall apply equally to all belligerents, including those subsequently entering the war, the names of which shall be proclaimed by the President as and when they so enter.

(b) The President shall, by proclamation, definitely enumerate the arms, ammunition, and implements of war, the export of which is prohibited by this act.

(c) When in the judgment of the President the conditions which have caused him to issue a proclamation have ceased to exist, he shall revoke the same and the provisions of this section shall thereupon cease to apply.

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Neutrality

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December 31, 1935.

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REVISED DRAFT NO. 6

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,  
That this act may be cited as the "Neutrality Act of 1936".

SEC. 1. DEFINITIONS.

For the purposes of this act -

(a) The term "Board" means the National Munitions Control Board.

(b) The term "United States" when used in a geographical sense means the continental United States, the territories and insular possessions of the United States (including the Philippine Islands), the Canal Zone, and the District of Columbia.

(c) The term "person" means a natural person, corporation, partnership, organization or association.

(d) The term "vessel" means every description of watercraft (including aircraft) or other contrivance used, or capable of being used, as a means of transportation on or over water.

(e) The term "American vessel" means any vessel (including aircraft) documented under the laws of the United States.

(f) The term "vehicle" means every description of carriage (including aircraft) or other contrivance used, or capable of being used, as a means of transportation on or over land.

SEC. 2.

SEC. 2. EXPORT OF ARMS, AMMUNITION, AND IMPLEMENTS OF WAR.

(a) Upon the outbreak or during the progress of any war between, or among, two or more foreign states, the President shall proclaim such fact, and it shall thereafter be unlawful to export, or attempt to export, or cause to be exported, or sell for export, arms, ammunition, or implements of war from any place in the United States to any belligerent country, named in the proclamation, or to any neutral country for transshipment to or for the use of any such belligerent country.

(b) The President shall, by proclamation, definitely enumerate the arms, ammunition, and implements of war, the export of which is prohibited by this act.

(c) The President shall, from time to time, by proclamation, extend such embargo upon the export of arms, ammunition, and implements of war to other countries as and when they may become involved in such war.

(d) When in the judgment of the President the conditions which have caused him to issue a proclamation have ceased to exist, he shall revoke the same and the provisions of this section shall thereupon cease to apply.

SEC. 3.

SEC. 3. EXPORT OF ARTICLES AND MATERIALS USED FOR WAR PURPOSES.

(a) Whenever during any war in which the United States is neutral, the President shall find that the placing of restrictions on the shipment from the United States to belligerent countries of articles or materials used in the manufacture of arms, ammunition or implements of war, or in the conduct of war will serve to promote peace, or to protect the commercial interests of the United States and its nationals, or to promote the security or preserve the neutrality of the United States and shall so proclaim, it shall thereafter be unlawful to export, or attempt to export, or cause to be exported, or sell for export, such articles or materials from any place in the United States to any belligerent country named in the proclamation, or to any neutral country for transshipment to or for the use of any such belligerent country in excess of the average amount per annum, in quantity and kind, of exports from the United States to the respective belligerent countries during the three calendar years preceding the date of the proclamation: Provided, That no restriction or prohibition imposed under this section shall under any circumstances be applied to food or medical supplies.

(b) The President shall, by proclamation, definitely enumerate the articles or materials the exportation of which is to be restricted or prohibited, and he may, from time to time, modify or revoke in whole or in part any proclamation issued by him under this section.

(c) The President shall, from time to time, by proclamation, extend such restrictions or prohibitions as are imposed under this section to other countries as and when they may become involved in such war.

SEC. 4. FINANCIAL TRANSACTIONS WITH  
BELLIGERENT GOVERNMENTS.

(a) Whenever the President shall have issued his proclamation as provided for in Section 2 of this act, it shall thereafter during the period of the war be unlawful for any person within the United States to purchase or sell bonds, securities or other obligations of the government of any belligerent country, or of any political subdivision thereof, or of any person acting for or on behalf of such government, issued after the date of such proclamation, or to make any loan or extend any credit to any such government or person: Provided, That if the President shall find that such action will serve to protect the commercial or other interests of the United States or its nationals, he may, in his discretion, and to such extent and under such regulations as he may prescribe, except from the operation of this section ordinary commercial credits and short-time obligations of a character customarily used in current commercial transactions.

(b) The provisions of this section shall not apply to a renewal or adjustment of indebtedness existing on the date of the President's proclamation.

(c) Whoever shall violate the provisions of this section or of any regulations issued hereunder shall, upon conviction thereof, be fined not more than \$10,000, or imprisoned for not more than five years, or both. Should the violation be by a corporation, organization or association, any officer or agent thereof participating in the violation shall be liable to the penalty herein prescribed.

(d)

(d) When in the judgment of the President the conditions which have caused him to issue a proclamation have ceased to exist, he shall revoke the same and the provisions of this section and of any regulations issued by the President hereunder shall thereupon cease to apply.