REPORT

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 3802 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."
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 emergency 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.
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 cent of such portion of its net income as is not in excess of 5 per cent 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 10 per cent 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 $300 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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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 Representatives of the United States of America in Congress assembled,

STATEMENT OF INTENTION

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

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

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

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

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

It is further declared to be the intention of Congress
that in the event of war all technical and industrial resources
shall be mobilized for the successful prosecution of such
war, and that industrial management shall be subject to
enlistment and conscription for the successful prosecution
of war in the same general manner as combat man power
has been and is subject to enlistment and conscription for
the same purposes.
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2
3 SECTION 1. SHORT TITLE.—This title may be cited as the "Emergency War Time Tax Act."
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5 SEC. 2. INCORPORATION AND REENACTMENT OF PRIOR ACT.—All provisions of titles I, IA, V, and VI of the Revenue Act of 1934, as in effect on March 15, 1935, are hereby incorporated and made a part of this title, and
reenacted as of the effective date of this Act, whether or not they may otherwise be in effect as of such date and regardless of any amendments made subsequent to March 15, 1935, except those provisions obtained in the sections and subsections listed in schedule A annexed hereto, which annexed sections and subsections are not herein incorporated nor made a part of this Act nor in any respect reenacted hereby, except as expressly provided hereafter, and which annexed sections shall be superseded as of the effective date of this Act.

SCHEDULE A

The following sections and subsections of Title I of the Revenue Act of 1934: Sections 11, 12, and 13; section 22, subsections (b) and (3); section 23, subsections (a), (b), (j), and (n); section 25, subsections (a) and (1); section 25, subsections (a) and (4); section 25, subsections (b) and (1); section 47, subsection (d); section 51; section 53, subsections (a) and (1); section 56, subsections (a) and (b); section 63; section 102, subsection (a); section 115, subsection (f); section 185; section 272, subsection (a); section 321.

The following sections and subsections of title IV of the same: Section 351, subsection (a); section 351, subsection (b) and (2) (B).
The following section and subsection of title V of the
same: Section 702, subsection (a).

(Where a subsection symbol follows a more general
symbol, only such subsection and not the whole of such gen-
eral symbol is included within the aforesaid schedule.)

SEC. 3. (11) NORMAL TAX ON INDIVIDUALS.—There
shall be levied, collected, and paid for each taxable year upon
the net income of every individual a normal tax of 6 per
centum of the amount of the net income in excess of the
credits against net income provided in section 25 of the
Revenue Act of 1934, as herein modified.

(12) SURTAX ON INDIVIDUALS

SEC. 4. (a) DEFINITION OF “SURTAX NET INCOME”.—
As used in this section the term “surtax net income” means
the amount of the net income in excess of the credits against
net income provided in section 25 (b) of the Revenue Act of
1934, as herein modified.

(b) RATES OF SURTAX.—There shall be levied, col-
lected, and paid for each taxable year upon the surtax net
income of every individual in quarterly payments as herein-
after provided, a surtax as follows:

Upon a surtax net income of $3,000 there shall be no
surtax; upon surtax net income in excess of $3,000 but not
in excess of $5,000, 10 per centum of such excess.
§200 upon surtax net incomes of $5,000; and upon
surtax net incomes in excess of $5,000 and not in excess of
$6,500, 30 per centum in addition of such excess.
§650 upon surtax net incomes of $6,500; and upon
surtax net incomes in excess of $6,500 and not in excess of
$8,000, 50 per centum in addition of such excess.
§1,400 upon surtax net incomes of $8,000; and upon
surtax net incomes in excess of $8,000 and not in excess
of $10,000, 70 per centum in addition of such excess.
§2,800 upon surtax net income of $10,000, and upon
surtax net incomes in excess of $10,000, 94 per centum in
addition of such excess.

SEC. 5. (702 (a)) TAX ON CORPORATE INCOMES.—
(a) There is hereby imposed upon the net income of every
corporation included within the taxable description of sec-
tion 701 of the Revenue Act of 1934, for each income-tax
payable year or portion of a year during which this Act
is in effect, an income tax equal to the following:
Fifty per centum of such portion of its net income as
is not in excess of 6 per centum of the adjusted declared
value of its capital stock (or in the case of a foreign cor-
poration the adjusted declared value of capital employed in
the transaction of its business in the United States) as at
the close of the preceding income-tax taxable year (or as
of the date of organization if it had no preceding income-
tax taxable year); plus 100 per centum of such portion
of its net income as is in excess of 6 per centum of the
adjusted declared value of its capital stock (or in the case
of a foreign corporation the adjusted declared value of cap-
ital employed in the transaction of its business in the United
States) as at the close of the preceding income-tax taxable
year (or as of the date of organization if it had no preceding
income-tax taxable year).

(b) The maximum of the adjusted declared value of the
capital stock of a corporation for the purposes of this section
shall be determined as provided in section 701 of the Rev-

tvenue Act of 1934, if the said section 701 is in full force and
effect upon the effective date of this Act, and the adjusted
declared value therein determined shall be adopted as a
maximum for the purposes of this section. If the said sec-
tion 701 is modified or repealed prior to the effective date
of this Act, such maximum adjusted declared value of the
capital stock of a corporation shall be determined as though
the said section 701 is, and has at all times subsequent to
March 15, 1935, been and remained, in full force and effect.

(c) If the Commissioner shall determine, upon his
own volition, upon notice and hearing to the taxpayer,
that the said maximum adjusted declared value of capital
stock as herein determined is excessive, he may order an
appraisal to be made of such capital stock pursuant to such
rules and regulations as he may prescribe, and thereafter,
if the Commissioner shall deem such appraised value to be
more nearly in accord with fact than the adjusted declared
value as otherwise determined hereunder, he shall order
a modification of such adjusted declared value to conform
with such appraisal and thereupon such appraised value
shall be the adjusted declared value of such capital stock
for the purposes of this title.

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

(e) In the event that any corporation subject to the
tax herein imposed shall have been reorganized or party
to a reorganization, affiliation, or merger at any time within
one year of the effective date of this Act, or shall be re-
organized or party to a reorganization, affiliation, or merger
subsequent to the effective date of this Act, the maximum
of the adjusted declared value of the capital stock of such
corporation for the purposes of this section shall be the
same as such adjusted declared value as herein set forth
prior to such reorganization, affiliation, or merger or the
sum of such adjusted declared values in the event that two
or more corporations have become one corporation for
purposes of this tax as the result of such reorganization,
affiliation, or merger, except that cash actually paid in as a
result of such reorganization, affiliation, or merger may be
added to such adjusted declared value. Adjusted declared
values as computed pursuant to this section shall be maxi-
mum adjusted declared values and may be reduced by the
Commissioner after notice and hearing if in his opinion they
are excessive or unrepresentative of the true values involved.

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

(g) The tax imposed by this section shall be on an
annual basis, but the corporation subject thereto shall file
returns upon the dates fixed and for the periods stated in
section 9 of this Act. Returns for the first three-quarters
of each year shall be made upon an estimated annual basis
except that the total tax due and payable for such quarter
shall be returned as a sum equal to one-fourth of the total
annual tax as computed upon such estimated annual basis. A
return for the fourth quarter shall be made upon an estimated annual basis, except that such return shall also include an actual return for the entire taxable year, and the total tax due and payable for such fourth quarter shall be returned as a sum equal to the total annual tax due and payable for the entire taxable year on the basis of such actual return for the entire taxable year, minus a sum equal to the total amount of payments previously made for or on behalf of taxes due and payable for the first three-quarters of such taxable year pursuant to the provisions of this title. The full amount of the tax imposed by this section shall be due and payable upon the date upon which a return is filed pursuant to the provisions of this Act, and such payment shall be for the period covered by such return.

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

SEC. 6. CROSS-REFERENCES.—Cross reference numbers enclosed in parentheses immediately following section numbers of this Act are for convenience only, and shall be given no legal effect, except that where any provision of the Revenue Act of 1934 herein reenacted or of this title refers by number to any section included in schedule A of
section 5 of this Act, such reference shall be deemed to apply, insofar as may be, to the section of this Act bearing the corresponding cross-reference number.

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

Regardless of any other statutory provision, taxes under any such law, which is superseded by the provisions of this title, shall be due and payable and a return shall be filed covering such taxes on the 15th day of the second month following the effective date of this title. Such return and taxes shall be due for any period which may have elapsed between the close of the last preceding taxable year and the effective date of this title. The Commissioner
shall make rules and regulations which shall have the force
and effect of law in regard to the manner of computing
income on the basis of such period of less than one taxable
year, and placing such incomes on an annual basis. The
provisions of section 47 of the Revenue Act of 1934 shall
apply insofar as may be to such return for such period.
Fractions of months shall be disregarded for all purposes
in connection with computations made pursuant to the pro-
visions of this section.

SEC. 8. (23 (a)) DEDUCTIONS FROM GROSS IN-
COME. (a) In computing net income there shall be allowed
as deductions all the ordinary and necessary expenses paid
or incurred during the taxable year in carrying on any
trade or business, including a reasonable allowance for
salaries or other compensation for personal services actually
rendered; traveling expenses (including the entire amount
expended for meals and lodging) while away from home
in the pursuit of a trade or business; and rentals or other
payments required to be made as a condition to the con-
tinued use or possession, for the purposes of the trade or
business, of property to which the taxpayer has not taken
or is not taking title or in which he has no equity: Pro-
vided, however, That if any such expenses, salaries, com-
pensation, or other payments hereinbefore referred to shall
be made to any officer or director of a corporation, or to
any stockholder owning in excess of 1 per centum of any
class of the stock of the corporation, or to any relative of
such officer, director, or stockholder, such expenses, salaries,
compensation, or other payments shall only be allowed as
deductions from the gross income of such corporation if
they shall amount in total to less than $5,000, and if they
exceed the amount of $5,000 they shall be allowed as deduc-
tions from gross income only to the extent of such $5,000:
And provided further, That promotional, public relation,
and all selling costs and expenses shall in no event be
allowed as a deduction in a sum larger than the yearly
average of such expenses for the three years immediately
preceding the effective date of this Act, and if such expenses
do in fact exceed such preceding three-year average they
shall be allowed as a deduction only to the extent of such
average.

(b) (23 (b)) In computing net income there shall
be allowed as deductions all interest paid or accrued within
the taxable year on indebtedness, except on indebtedness
the interest on which is payable solely from income and is
secured by and payable from no other property or funds,
and except on indebtedness incurred or continued to pur-
chase or carry obligations (other than obligations of the
United States issued between September 24, 1917, and
January 1, 1921, and originally subscribed for by the tax-
payer) the interest upon which is exempt from the taxes
imposed by this title: Provided, That in no event shall such
deduction for interest paid or accrued be allowed in excess
of the yearly average of such interest paid or accrued for
the three years preceding the effective date of this title,
except insofar as such interest is paid or accrued for or on
account of moneys borrowed and actually paid to the tax-
payer, and if such interest does in fact exceed such preced-
ing three-year average it shall be allowed as a deduction
only to the extent of such average.

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

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

- 2½ per centum in the case of coal mines.
- 5 per centum in the case of metal mines.
- 7½ per centum in the case of sulphur mines or deposits.
- 7½ per centum in the case of all other mines or wells.
- 9 per centum in the case of oil or gas wells.

(e) Notwithstanding any other provision of law or interpretation made thereunder, no deduction from gross income shall be allowed or allowable under any circumstances for—

(A) Any sums paid to foreign corporations, individuals, or other persons either as dividends or other distribution of earnings, or profits;

(B) Any sum received as distribution or disbursement of reserves against depletion, depreciation, or other capital charge or account or as distribution in complete or partial liquidation as defined in section 115 (i) of the Revenue Act of 1934; or

(C) Any sum accounted or paid or reserved for payment as an interest or amortization charge upon any obligation, bonded debt, or security created or
sec. 9. (53 (a)) times and place for filing returns.—(a) all taxes levied, collected, and paid pursuant to this act shall be on an annual basis, and all rates, deductions, exemptions, credits, and other accounting computations of all kinds whatsoever shall likewise be on an annual basis, but individuals and corporations required to file returns under this act shall file such returns quarterly, and if on the basis of the calendar year, on or before the 1st day of may following for the first quarter, on or before the 1st day of august following for the second quarter, on or before the 1st day of november following for the third quarter, and on or before the 1st day of march following for the fourth quarter. if made on the basis of the fiscal year such returns shall be filed on or before the 1st day of the second month following the close of the first three quarters of any fiscal year, and on or before the 1st day of the third month following the close of the fourth quarter of such fiscal year. as used in this section the term "quarter" shall mean three calendar months.
Returns for the first three-quarters of each year shall be made on an estimated annual basis, except that the total tax due and payable for such quarter shall be returned as a sum equal to one-fourth of the total annual tax as computed upon such estimated annual basis. A return for the fourth quarter shall be made on an estimated annual basis, except that such return shall also include an actual return for the entire taxable year, and the total tax due and payable for such fourth quarter shall be returned as a sum equal to the total annual tax due and payable for the entire taxable year on the basis of such actual return for the entire taxable year, minus a sum equal to the total amount of payments previously made for or on behalf of taxes due and payable for the first three quarters of such taxable year pursuant to the provisions of this Act.

(b) If the effective date of this title is other than the first day of any quarter for which returns are due pursuant to the provisions of this title, no return shall be due until the date fixed herein for the filing of same at the expiration of the first full quarter for which returns are due as herein-before provided. Such return shall be made for the full quarter for which such return is legally due, and in addition to such full quarter shall include a return for the period commencing at the effective date of this title and expiring at midnight of the last day preceding the first day of such
full quarter. The Commissioner shall make rules and regulations which shall have the force and effect of law in regard to the manner of computing income on the basis of such period of less than one full quarter. The provisions of section 47 of the Revenue Act of 1934 shall not apply to such return for such period. Fractions of months shall be disregarded for all purposes in connection with computations made pursuant to the provisions of this section.

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

Sec. 10. (56(a)) *Time of Payment of Tax.*—The full amount of the tax imposed by this Act shall be paid upon the date upon which a return is filed pursuant to the provisions of this Act, and such payment shall be for the period covered by such return.

Sec. 11. Penalty.—In addition to the tax imposed by this Act, there shall be imposed a penalty to be added to the tax and collected as a part thereof, equal to 5 per centum of the amount by which the tax due and payable for the fourth quarter of any taxable year, pursuant to the return filed in accordance with section 9 of this Act, exceeds
one-fourth of the total amount of such tax for the entire taxable year, unless it shall appear to the satisfaction of the Commissioner that such excess is not due to the withholding of amounts properly apportionable to the first three quarters of the taxable year.

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

1. 98 per cent of the amount of the adjusted net income not in excess of $100,000; plus
2. 100 per cent of the amount of the adjusted net income in excess of $100,000.

SEC. 13. OVERPAYMENT OF INSTALMENTS.—If the taxpayer has paid, on the basis of returns filed for the first three quarters of any taxable year, an amount which exceeds his tax liability pursuant to this Act for the entire year,
such overpayment shall be credited against the tax due
from such taxpayer under the terms of this or any previous
or subsequent Act for the next ensuing quarter or quarters,
as the case may be; or shall be refunded at the option of
the taxpayer. Section 322 (a) of the Revenue Act of 1934
as herein incorporated is superseded only to the extent neces-
sary to give effect to this section.

SEC. 14. (351 (a)) IMPOSITION OF SURTAX ON
PERSONAL HOLDING COMPANIES.—There shall be levied,
collected, and paid, for each taxable year upon the undis-
tributed adjusted net income of every personal holding
company a surtax equal to the sum of the following:
(1) 98 per centum of the amount thereof not in excess
of $100,000; plus
(2) 100 per centum of the amount thereof in excess
of $100,000.

SEC. 15. BOARD OF TAX APPEALS; JURISDICTION;
RULE OF EVIDENCE.—If the operation of any rule, stand-
ard, or limitation established by any subsection of section 8
or by section 20, or by section 22 of this title, shall result
in a gross and unconscionable factual disparity or error, or
if the operation of such section or subsection shall entail an
unconstitutional result as against any taxpayer, such tax-
payer may file a claim for adjustment or refund with the
Board of Tax Appeals, or its successor in law or in fact.
Such Board, in addition to all other powers and duties, is hereby authorized and empowered to hear and determine claims filed pursuant to this section, and if such determination is in favor of the claimant, such adjustment or refund as is allowed shall be a legal claim against the United States. No such claim shall be heard or determined unless the full sum in dispute has been paid into the Treasury of the United States, as though actually due; nor shall any such claim be heard or determined until a date subsequent to the expiration of this title, but such delay shall not prejudice in any respect, by limitation or otherwise, the rights of the claimant. In any such proceeding, there shall be a presumption that the sum in dispute was validly collected and paid, and the burden shall be upon the claimant to show the contrary. All other rules, regulations, and statutory provisions relating to tax refunds shall apply to proceedings brought under this title, so far as applicable, except that the remedy herein provided for gross or unconscionable factual disparity or error or unconstitutional result under sections 8, 20, and 22 of this title shall be an exclusive remedy.

Sec. 16. Additional penalties.—In addition to all other penalties provided by law, any person who willfully violates any provision of this title or who willfully fails to pay such tax, make such return, keep such records, supply such information as required by this title, or who willfully
attempts in any manner to evade or defeat any tax imposed
by this title or the payment thereof, shall be liable to a
penalty of three times the amount of such tax withheld or
evaded on the basis or as a result thereof, and the failure
to pay such penalty within thirty days of its determination
shall constitute a misdemeanor punishable by a fine of not
more than $10,000 or imprisonment for not more than one
year, or by both such fine and imprisonment.

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

Sec. 18. Credits for both normal tax and sub-
tax; personal exemptions.—There shall be allowed for
the purposes of the normal tax and the surtax the following credits against net income:

(a) (25(b) (1)) In the case of a single person or a married person not living with husband or wife, a personal exemption of $500; or in the case of married persons living with husband or wife, an exemption of $1,000. A husband and wife living together shall receive but one personal exemption.

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

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

(51) INDIVIDUAL RETURNS

SEC. 19. (a) REQUIREMENTS.—The following individuals shall each make under oath a return stating specifically the items of his gross income and the deductions and credits allowed under this title:
(1) Every individual having a net income for the taxable year of $500 or over, if single, or if married and not living with husband or wife;

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

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

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

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

(d) PERSONS UNDER DISABILITY.—If the taxpayer is unable to make his own return, the return shall be made
SEC. 20. LOANS TO BE TREATED AS DIVIDENDS.—For all purposes under this title, and notwithstanding any other provisions of law to the contrary, any loan or advance made by any corporation to a stockholder or officer for the benefit or on behalf of any stockholder or officer shall be treated as a dividend of such corporation for all purposes in connection with any tax imposed upon such officer or stockholder, but such loan or advance shall not be treated as a dividend of such corporation for any purpose in connection with any tax imposed upon such corporation.

SEC. 21. (272 (a)) DEFICIENCY; PETITION TO BOARD OF TAX APPEALS.—If in the case of any taxpayer the Commissioner determines that there is a deficiency in respect of the tax imposed by this title, the Commissioner is authorized to send notice of such deficiency to the taxpayer by registered mail. Within thirty days after such notice is mailed (not counting Sunday or a legal holiday within the District of Columbia as the thirtieth day), the taxpayer may file a petition with the Board of Tax Appeals for a redetermination of the deficiency. Assessment of a deficiency in respect of the tax imposed by this title and distraint or proceeding in court for its collection may be
made, begun, or prosecuted after such notice has been
mailed to the taxpayer, but in the event that the decision
of the Board subsequently becomes final in favor of the
taxpayer, he shall be entitled to a refund of such amount
as has been collected on the basis of such deficiency. In
any proceeding relative to a deficiency in respect of the
tax imposed by this title, there shall be a presumption that
the finding of such deficiency by the Commissioner is
correct and the burden shall be upon the taxpayer to show
the contrary to the satisfaction of the tribunal before which
such proceeding is brought.

SEC. 22. (117 (d)) LIMITATION ON CAPITAL
LOSSES.—Losses from sales or exchanges of capital assets
shall be allowed only to the extent of $2,000. In no event
and under no circumstances shall such limitation be
extended on account or to the extent of capital gains. If
a bank or trust company incorporated under the laws of
the United States or of any State or Territory, a substantial
part of whose business is the receipt of deposits, sells any
bond, debenture, note, or certificate or other evidence of
indebtedness issued by any corporation (including one issued
by a government or political subdivision thereof), with
interest coupons or in registered form, any loss resulting
from such sale (except such portion of the loss as does
not exceed the amount, if any, by which the adjusted basis
of such instrument exceeds the par or face value thereof) shall not be subject to the foregoing limitation, and shall not be included in determining the applicability of such limitation to other losses.

Sec. 23. Jurisdiction of Courts.—No suit for the purpose of restraining the assessment or collection of any tax, tax penalty, or tax deficiency as determined by the Commissioner shall be maintained in any court. Nor shall any action by any party to restrain either the voluntary or involuntary payment of any such tax, tax penalty, or tax deficiency be maintained in any court irrespective of the character of the party defendant, and irrespective of the circumstances.

Title II

Industrial Management Provisions

Section 101. Short title.—This title may be cited as the "Industrial Management Draft Act."

Sec. 102. Creation of Industrial Management Board and Industrial Management Corps; Power and Duties.—There is hereby created as an independent office a board to be known as the "Industrial Management Board" to consist of five members appointed by the President, by and with the advice and consent of the Senate. At least three of such members shall be civilians. Such Board shall be officered and staffed in such manner as the President
may designate, and shall exercise the powers conferred upon
it by this title and such additional powers as the President
may from time to time confer upon it. Such Board shall
have jurisdiction and control over the Industrial Manage-
ment Corps, which is hereby created and which shall be a
military corps; but in addition to all powers conferred upon
such Board, the Secretary of War, through such officers as
he may designate, shall have disciplinary powers in like
manner and to like extent as over any corps of the Regular
Army, including the power of court martial for any offense
cognizable under the law by military authority, and shall
also have power of court martial or other military process
for violation of any rule or regulation of the Industrial Man-
agement Board. It shall be the duty of the Industrial
Management Board to cooperate to the utmost possible extent
with all commissions, boards, or other authorities created
or existing for the purpose of successfully prosecuting such
war. In the event of any jurisdictional dispute or diffi-
culty with any other Government department, board, or
agency the President may decide such dispute or difficulty
by Executive order. The Industrial Management Board
shall have power to make rules and regulations for the
government and control of such Industrial Management
Corps, and such rules and regulations shall have the force
and effect of law.
SEC. 103. CREATION OF LOCAL AND DISTRICT

BOARDS.—The President is authorized and directed, immediately upon the declaration by Congress that a state of war exists between the United States and any foreign government, to create and establish throughout the several States and subdivisions thereof and in the Territories and the District of Columbia local boards, and where, in his discretion practicable, there shall be one such local board in each county or similar subdivision in each State and additional boards may be created within counties at his discretion. Such boards shall be appointed by the President, and shall consist of three or more members, to be chosen from among the local authorities of such subdivisions or from other citizens residing in the subdivision or area over which the respective boards will have jurisdiction, under rules and regulations to be prescribed by the President. Such boards shall have power within their respective jurisdiction to hear and determine, subject to review as hereinafter provided, all questions of exemption under this Act, and all questions of or claims for including or discharging individuals or classes of individuals from the draft as provided in this Act.

The President is hereby authorized and directed to establish additional boards, one or more in each State in his discretion, to be called "district boards", consisting of such number of citizens as he may determine, who shall be
appointed by the President. Such district boards may, in their discretion, review on appeal and affirm, modify, or reverse any decision of any local board having jurisdiction in the area in which such district board has jurisdiction under the rules and regulations prescribed by the President. The decisions of such district boards shall be final, except that if the President shall later modify any rule, regulation, or order upon which such decision was based, such decision may be reconsidered by the said district board.

Any vacancy in any such local board or district board shall be filled by the President, and any member of such local board or district board may be removed by the President whenever he considers that the public interest requires such removal.

SEC. 104. POWERS OF PRESIDENT; RULES AND REGULATIONS.—The President shall make rules and regulations governing the organization and procedure of such local boards and district boards, and providing for and governing appeals from such local boards to such district boards, and reviews of the decisions of any local board by the district board having jurisdiction, and determining and prescribing the several areas in which the respective local boards and district boards shall have jurisdiction, and all other rules and regulations necessary to carry out the terms and provisions of this title, and shall provide for the issuance
of certificates of exemption, or partial or limited exemptions, to such persons as may be exempted from the terms and provisions of this Act.

Sec. 105. Registration of persons.—All persons engaged, wholly or partially, in any executive, supervisory, administrative, or policy-forming position with or in connection with any technical, industrial, or manufacturing plant or establishment of any kind whatsoever, whatever the form of ownership thereof, corporate or otherwise, or who have been engaged within three years of any declaration of war as heretofore referred to, shall register in accordance with regulations to be prescribed by the President, and upon proclamation by the President or other public notice to be given by him which proclamation or public notice shall be as nearly contemporaneous with any declaration of war as may be. All such registration shall be conducted and recorded by local boards, as herein established, and shall be at such times and places as the President, or in the event of his failure to do so the local board, shall designate. Every such person shall be deemed to have notice of the requirement of this Act upon the publication or other notice as aforesaid given by the President or by his direction, and it shall be the duty of all persons of the aforesaid engagements to present themselves to the local board having jurisdiction over the areas in which they reside
and submit thereat for registration as herein provided. Any
person who shall willfully fail or refuse to present himself
for registration or submit thereto as herein provided,
shall be guilty of a misdemeanor, and shall, upon conviction
in the District Court of the United States having jurisdiction
thereof, be punished by imprisonment of not less than one
nor more than five years or by a fine of not less than $1,000
nor more than $10,000, or by both such fine and imprison-
ment, and shall thereupon be duly registered: Provided,
That in the call of the docket precedence shall be given,
in courts trying the same, to the trial of criminal proceeding
under this Act. In the case of temporary absence from
actual place of legal residence, any person subject to this
Act may register by mail pursuant to regulations to be
made by the President. For the purposes of criminal
prosecution under this Act a person shall be deemed prima
facie to be engaged in executive, supervisory, administra-
tive, or policy-forming position within the terms of this
Act if his salary, compensation, or other emoluments shall
equal or exceed during any previous year within a three-
year period of the declaration of war herein referred to the
sum of $4,000: Provided further, That the President may
at such intervals as he may desire from time to time require
any person who has become engaged in any position of
which the occupant has or would have been subject to reg-

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

Sec. 106. Exemptions.—The following classes of
persons shall be exempt from registration under the terms
of this Act:

(a) Officers and enlisted men of the Regular Army,
the Navy, the National Guard, Naval Militia, and all other
persons in the military and naval services of the United States.

(b) Persons found by local boards to be morally

deficient for service in the military forces of the United States, or insane.

(c) Aliens who have not declared their intention to

become citizens.

d) Persons who may be exempted by unanimous

vote of a local board, confirmed by a unanimous vote of a

district board for unique, exceptional, extraordinary, and

unforeseen reasons which make satisfactory service in the

military forces of the United States impossible, but in no

case shall mere physical disability be sufficient cause for

exemption under this section.

Sec. 107. Power of the President; Status and Powers of Registration.—Whenever the President shall,
in his discretion, deem any technical, industrial, or manu-
ufacturing plant or establishment or any group of such com-
promised in an industry to be necessary to the maintenance of
the Military Establishment or the effective operation of the
military forces or the maintenance of the national interest
during the emergency, he may proclaim such plant, estab-
ishment, or industry so to be. Upon making such procla-
mation the President shall determine and state in the said
proclamation either that—
(a) Any person registered pursuant to the provisions
of this title engaged or employed wholly or partially in such
plant, establishment, or industry; or

(b) Any person registered pursuant to the provisions
of this title engaged in a capacity which involves the deter-
mination, or a part in the determination, of the business
and industrial policy of such plant, establishment, or ind-
ustry, including in the case of corporations the president,
directors, vice presidents, and general manager or those
occupying corresponding positions among others—
shall be drafted for service in the Industrial Managements
Corps. Thereupon each person so drafted shall become a
member of the United States Army and of the Industrial
Management Corps thereof, and subject to military dis-
cipline through such officers as the Secretary of War may
designate pursuant to section 102 of this title. Such person
shall receive a commission from the said Army of a rank
not superior to brigadier general, and if possible such rank
shall correspond approximately to the Regular Army rank
of an officer in charge of a like number of men. Such corps
shall be maintained, organized, and equipped in such manner
as the Industrial Management Board may direct. Members
of the Industrial Management Corps shall receive from their
employers only such compensation and allowances as are
received by officers of the Regular Army of even rank and
grade, and in no case and under no circumstances shall such
compensation and allowances exceed the amount paid to
officers of the Regular Army of even rank and grade. All
members of the Industrial Management Corps of the Army
of the United States shall, from the date of enrollment
therein, be subject to the laws and regulations governing
the Regular Army, except as to promotions, so far as such
laws and regulations are applicable to persons whose per-
manent retention in the military service on the active or
retired list is not contemplated by existing law, and the dura-
tion of military service of such members of the Industrial
Management Corps shall be for the duration of the war and
for such time thereafter as the President may declare to be
a period of national emergency. Each member of the In-
dustrial Management Corps shall continue to occupy such
position, in his normal status, except as otherwise provided
by this title in any technical, manufacturing, or indus-
trial plant or establishment as he occupied prior to the
effective date of this title, unless promoted or demoted
by the management thereof with the consent of the In-
dustrial Management Board. If at any time, however,
the Industrial Management Board shall find the serv-
ices of such member of the Industrial Management Corps to
be inefficient, unsatisfactory, or contrary to the public in-
terest, such Board may order his removal therefrom and
thereupon he shall be assigned to such other branch of the
Military Establishment as provided in section 105 of this
title. Upon such removal or in the event of any vacancy
for any cause, the owners or managers of such plant or
establishment shall replace such removed person in the
normal manner thereupon the person chosen as such replace-
ment shall be enrolled forthwith as a member of the Industrial
Management Corps.

SEC. 108. LIMITATION ON INCOME OF MEMBERS OF
INDUSTRIAL MANAGEMENT CORPS; PENALTIES.—No
member of the Industrial Management Corps shall at any
time receive any salary, gift, compensation, or any other
emolument whatsoever for services rendered during war time
from any partnership, association, trust, corporation, or other
person interested in or connected with any technical, indus-
trial, or manufacturing plant or establishment for or in which
such member may render services during time of war. Such
member shall receive for services rendered during time of
war only such compensation and allowances as shall equal
the amount paid to officers of the Regular Army of even
rank and grade, and no other person shall receive on his
behalf or account nor shall any person receive in trust or
by other means any additional compensation or allowance.
If any member of the Industrial Management Corps does
receive such additional salary, gift, compensation, or emolu-
ment he shall be forthwith dishonorably discharged from
the United States Army, and such dismissal shall be in
addition to other penalties. Neither shall any such person
be permitted to escape such service or to be discharged
therefrom prior to the expiration of his term of service by
the payment of money or any other valuable thing whatso-
ever as consideration for his release from such service or
liability thereto. Any violation of the terms of this section
shall constitute a felony and shall be punishable by a fine
of not exceeding $10,000 or by imprisonment for not more
than ten years, or by both such fine and imprisonment.

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

SEC. 110. EMERGENCY POWER; REQUISITION OF IN-
DUSTRIAL RESOURCES.—In the event of emergency, or in
the event that inefficiency, labor dispute, or inability to
agree on rates or terms of public contracts or any other
cause has impaired or delayed the usefulness of any technical,
industrial, or manufacturing plant or establishment to the
successful prosecution of any war, the Industrial Manage-
ment Board may upon a finding of such fact, and shall
upon the request of the President, requisition the physical
establishment or any part thereof and resources of such
plant or establishment and operate it under such rules and
regulations as it may deem proper in the circumstances,
and with such personnel as it may provide. If the Presi-
dent designates any other governmental agency to operate
such plant or establishment the jurisdiction of the Industrial
Management Board under this section shall be superseded.
The owner of such plant or establishment shall be entitled
to a return of such plant or establishment at the termina-
tion of the effectiveness of this title, together with just
compensation for such loss as he may have suffered as a
result of such requisition. Such loss shall be determined
by the Industrial Management Board upon application
made within thirty days of the return of such plant or
establishment to the owner, and when so determined shall
be a legal claim against the United States. The jurisdiction
of the Industrial Management Board is extended for a
period of one year beyond the expiration of this Act for
determination of claims filed hereunder, and such extension
of time for such purpose shall be an exception to any
inconsistent provision of this Act.

TITLE III
COMMODITY CONTROL PROVISIONS

SECTION 201. SHORT TITLE.—This title may be cited
as the “War Commodity Control Act.”
SEC. 202. DEFINITIONS.—For the purposes of this title the term "commodity" shall mean any article of commerce sold or offered for sale upon a commodity exchange; the term "commodity exchange" shall mean any central market place where articles of commerce are sold on a short, long, future, or marginal basis, or where common articles of commerce are continuously sold without being present or in view of either the buyer or seller, or whether "bid and asked" quotations are commonly furnished on demand for articles of commerce, or any place commonly known as a "commodity exchange."

SEC. 203. COMMODITY CONTROL COMMISSION.—There is hereby created the Commodity Control Commission, hereinafter in this title called the "Commission", to consist of five members appointed by the President, with the advice and consent of the Senate, for a term of office to expire at the expiration date of this title, unless sooner removed by the President in his discretion. Such members shall receive the same compensation and allowances as are paid to officers of the Regular Army of the rank of colonel. No such member, so appointed, shall refuse to serve as a member of such Commission. Neither during his term of office nor thereafter, on account of services rendered during such term, shall any such member receive, nor shall any other person receive on his behalf, any reward, compensation, or emolu-
ment whatsoever from any source directly or indirectly regulated or affected by the provisions of this title, nor shall any member, attorney, agent, or employee of the Commission in any manner, directly or indirectly, participate in the determination of any question affecting his personal interest, or the interests of any corporation, partnership, association, or trust in which he is directly or indirectly interested.

Sec. 204. Powers of Commission.—The Commission shall have power, in its discretion, if it deem the public interest and the successful prosecution of the war to so require or render advisable:

(a) To close any commodity exchange.

(b) To publish rules and regulations with the force and effect of law for the government of such commodity exchanges as are not closed, which rules and regulations may include, among other things, the regulation of the prices or parities at which commodities may be sold; the establishment of priorities and rationing in favor of purchasers or users most vitally linked with the successful prosecution of the war; the limitation or fixation of fees, commissions, or other charges collected by such commodity exchanges or their agents for any service whatsoever; the elimination or limitation of short, long, future, and marginal selling and hedging and speculation of all types and varieties whatsoever.
(c) To prohibit the publication of prices quoted on commodities sold or formerly sold on such commodity exchanges and to proscribe and prohibit the delivery or transmission for delivery through the mails or by telegraph, telephone, wireless, or other form of communication of such prices or of any quotation or report of the price of or contracts or sales made of commodities sold or formerly sold on such exchanges.

SEC. 205. ADDITIONAL POWERS OF COMMISSION.—

If the Commission shall close all or any commodity exchanges it shall have power, in its discretion, if it deem the public interest and the successful prosecution of the war so require or render advisable—

(a) To requisition the physical plant of or place occupied by any commodity exchange or such part of such plant or place, together with such elevators, warehouses, and other marketing facilities wherever located, including private telegraph and telephone wires, as it may require; and to requisition all stores or supplies of any such commodities held by any person.

(b) To fix the price at which any commodity may be sold and to limit sale of such commodity to itself; and to establish allocations, quotas, and priorities for sales to itself and others, either at the time of such sale or in advance of such sale.
(c) To resell any commodity purchased by itself at
cost, plus such differential as shall equal the cost of handling
and other expenses; and to establish allocations, quotas, and
priorities among purchasers and users in favor of those most
vitally linked with the successful prosecution of the war.

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

SEC. 206. FEES AND COMMISSIONS PROHIBITED.—
At no time and under no circumstances shall any fee, com-
mmission, or other emolument be paid as or in lieu of broker-
age on any transaction in which the Commission is either
buyer or seller of a commodity.

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

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

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

SEC. 210. COMPENSATION TO OWNERS.—The owner of any physical plant or place or elevator, warehouse, other marketing facilities, or private telephone or telegraph wires subjected to requisition pursuant to the provisions of this title shall be entitled to the return of such property at the termination of the effectiveness of this title, together with compensation for such loss as he may have suffered as a result of such requisition. Such loss shall be determined by the Commission upon application made within thirty
days of the return of such property to the owner, and when
so determined shall be a legal claim against the United
States. The jurisdiction of the Commission is extended
for a period of one year beyond the termination of this title
for determination of claims filed hereunder, and such exten-
sion of term for such purpose shall be an exception to any
inconsistent provision of this Act.

SEC. 211. ILLEGAL EXCHANGE AND TRAFFIC.—
Where, under the authority of this title, the Commission
has closed all exchanges in the United States dealing in
the purchase or sale of any commodity, it shall be unlawful
for any person to establish an exchange or to deal or
traffic in the purchase or sale of such commodity in any
extemporized market or over-the-counter trade or in any
other manner.

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

SECURITIES EXCHANGE PROVISIONS

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

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

TITLE V

WAR FINANCE CONTROL

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

SEC. 402. FINANCE CONTROL COMMISSION.—There is hereby created the War Finance Control Commission, hereinafter in this title called the "Commission", to con-
sist of five members appointed by the President, with the
advice and consent of the Senate, for a term of office to
expire at the expiration date of this Act, unless sooner
removed by the President in his discretion. Such members
shall receive the same compensation and allowances as
are paid to officers of the Regular Army of the rank of
colonel. No such member, so appointed, shall refuse to
serve as a member of such Commission. Neither during
his term of office, nor thereafter on account of services ren-
dered during such term, shall any such member receive,
nor shall any person receive on his behalf, any reward,
compensation, or emolument whatsoever from any source
directly or indirectly regulated or affected by the provisions
of this title, nor shall any member, attorney, agent or em-
ployee of the Commission in any manner, directly or
indirectly, participate in the determination of any question
affecting his personal interest, or the interest of any cor-
poration, partnership, association, or trust in which he is
directly or indirectly interested.

SEC. 403. POWERS OF COMMISSION; APPROVAL OF
SECURITIES.—No security may be registered with the
Securities and Exchange Commission as provided in the
Securities Act of 1933, as amended, and as in effect March
15, 1935, or its successor in law or in fact, unless it shall
have been approved previously by the Finance Control
Commission pursuant to the provisions of this title. No security the total or aggregate par, face, or actual value of which, plus the aggregate par, face, or actual value of any other securities issued by the same person since the effective date of this title, is in excess of $100,000, shall be sold or offered for sale or for subscription either publicly or privately unless such security shall have been approved previously by the Finance Control Commission pursuant to the provisions of this title. Such approval shall be granted if the Commission find, after hearing held upon notice to any applicant for such approval, if such hearing is requested, that either—

(a) The security is part of a current transaction maturing in less than nine months;

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

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

(d) The sale of such security is compatible with the public interest in the successful prosecution of war, and that the proceeds from the sale of such security will be applied to the extension or improvement of the capital plant or
efficiency of an industry, establishment, or agency necessary
or desirable to the successful prosecution of war.

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

SEC. 404. POWERS OF COMMISSION: FINANCING.—
The Commission may, upon application to the Commission
by any officer or agent of the United States or upon appli-
cation of any officer or agent of any industry, establishment,
or agency, after finding that due to inadequate capital plant
or other inadequate financial resources the efficiency or use-
fulness of any such industry, establishment, or agency for
the successful prosecution of war is impaired or impeded,
loan or advance such sums as may in its judgment be neces-
sary to eliminate such impaired or impeded usefulness or
efficiency, upon such security, if any, as it deems necessary.

If such loan or advance is made upon application of any
officer or agent of the United States, no reimbursement
except interest at a rate to be fixed by the Commission
shall be required during the effective date of this Act, but
the United States shall have a lien superior to all other
liens for the repayment of such loan or advance upon all
real assets or fixtures constructed or purchased with such
funds.

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

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

SEC. 407. DEFINITIONS.—Unless the context otherwise requires, the definitions established by section 2 of the
Security Act of 1933, as amended by Act approved June 6,
1934, as in effect March 15, 1935, are hereby adopted as
applicable to this title.

SEC. 408. PUBLICITY.—All approvals of securities
made by the Commission pursuant to section 403 and all
loans or advances made pursuant to section 404 of this title shall be public records and shall be available for public inspection in such detail and under such reasonable rules and regulations as the Commission may prescribe.

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

SEC. 410. LIMITATION ON POWERS OF COMMISSION.—Nothing contained in this title shall be deemed to limit or control the power of the United States Government or any agency thereof to issue securities.

SEC. 411. LIMITATION OF EFFECT OF APPROVAL.—No action taken by the Commission pursuant to the provision of section 403 of this title shall be construed as approving the legality, validity, worth, or safety of any security.

TITLE VI

WAR RESOURCES CONTROL

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

SEC. 502. PRICES.—The President is hereby authorized, with respect to any product, foodstuff, material, real property, right, or service, declared by him essential for the
national security and defense in the prosecution of the war,
to fix and establish just and reasonable, maximum, minimum,
or absolute prices or rates or rentals at which such product,
foodstuff, material, commodity, real property, right, or serv-
ic may be bought, sold, rented, or otherwise contracted for,
whether such transaction be with the Government or be-
tween persons of the civilian population, on the basis of
differentials established on the basis of pre-war parities as of
any year or period of years, as the President may designate,
prior to the declaration of war but not more than twenty
years prior to such declaration. Prices fixed pursuant to
the provisions of title III of this Act are not subject to the
provisions of this section. Any such differential may be
altered or modified from time to time as the President may
direct. The President may also prescribe differentials based
either on primary market or markets or upon zones or dis-
tricts or may prescribe different prices or rates for different
localities or for different uses in the same locality. The
President is further authorized to fix and establish just and
reasonable rates of profit, compensation, wage, or commis-
sion which shall be allowed for the production, the manu-
facture, the sale, the marketing, or the distribution of any
such product, foodstuff, material, commodity, real property,
right, or service. Any such rate, compensation, wage, or
commission may be altered or modified from time to time
as the President may direct.

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

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

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

SEC. 504. REQUISITIONS.—The President is author-
ized, whenever he deems it necessary or advisable to the
successful prosecution of war, to requisition and take pos-
session of any product, foodstuff, materials, commodity, real
property, or right, and on such terms as he may deem
desirable to sell or otherwise dispose of such product, food-
stuff, material, commodity, real property, or right. For
compliance with any such requisition the United States shall
make just compensation, to be determined by the President.
If the compensation so determined be unsatisfactory to the
person entitled to receive the same, such person shall be
paid 75 per centum thereof, and shall be entitled to sue
the United States immediately upon the close of war to
recover such further sum as added to said 75 per centum
will make up such amount as will be just compensation
therefor, and jurisdiction is hereby conferred, regardless
of the amount in controversy, on the United States District
Court for the district in which such product, foodstuff,
material, commodity, real property, or right is situated to
hear and determine all such controversies in the manner
provided for by section 24, paragraph 20, of the Judicial
Code: Provided, That no court shall have jurisdiction to
entertain suit, whatever the character, of either party,
plaintiff or defendant, to restrain or enjoin requisition, by
the Government of the United States, under this section.

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

SEC. 505. LICENSES.—(a) From time to time when-
ever the President shall find it essential to license the
production, manufacture, sale, storage, distribution, or trans-
portation of any product, foodstuff, material, commodity,
real property, right, or service, in order to carry into effect
any of the purposes of this title to and in the successful
prosecution of war, and shall publicly so announce, it shall
be unlawful for any person, after a date fixed in the an-
ouncement, to engage in or carry on any such business
enumerated in this section, unless he shall secure and hold
a license pursuant to this section.

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

SEC. 506. CONSERVATION OF RESOURCES.—The Presi-
dent is authorized, whenever he deems it necessary or advis-
able to the successful prosecution of the war, to promulgate
and enforce rules and regulations against waste, destruction,
hoarding, speculation, and profiteering with respect to any
product, foodstuff, material, commodity, real property, right,
or service.

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

SEC. 508. RULES AND REGULATIONS.—Rules and
regulations made by the President under this title shall have
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 COMMISSION.—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.
of the committee. Such board or commission shall make
a report to Congress on the first day of each regular session,
which shall include the names and compensation of all of
its officers and employees. There is hereby authorized to
be appropriated such amounts as may be necessary to the
proper execution of the purposes of this Act;

SEC. 603. SUSPENSION OF CONFLICTING AND INCONSISTENT ACTS.—All Acts or parts of Acts conflicting or
inconsistent with the provisions of this Act are to the extent
of such conflict or inconsistency suspended during the ef-
feciiveness of this Act.

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

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

SEC. 606. SEPARABILITY CLAUSE.—If any pro-
visions of this Act, or the application thereof to any person
or circumstances, is held invalid, the remainder of the Act, and the application of such provision to other persons and circumstances, shall not be affected thereby.

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

By Mr. ——

APRIL —, 1935
Read twice and referred to the Committee on
MEMORANDUM

COORDINATION 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 respect-
fully 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 unjustifi-
able 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 Administra-
tion 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 pro-
visions. 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 legisla-
tion 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 Moswain 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
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 Chairmen 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.

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.
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 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, 1918, 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 ninety-first 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.
THE UNDER SECRETARY OF STATE  
WASHINGTON  

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,

Walter L. Hensley

The President
The White House.
Department of State

The Undersecretary

The Secretary's

Statement
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."
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.
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,

[Signature]

Enclosures:
   As stated.
[Public Resolution—No. 67—74th Congress]
[S. J. Res. 178]

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. 288–245).

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 conveying 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, 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. 535; U. S. C. title 18, sec. 581), 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
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 vessel of a belligerent nation; and, if the President, or any person thereto 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 vessel 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 ports and territorial waters of the United States, or of its possessions, by the submareines 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 submaireine 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 thereby 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 protest 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.
REvised DRAFT NO. 6

December 31, 1935.

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. 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 3 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.