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The United States Senate

Report of Proceedings

Hearing held before

Subcommittee on Finance

Appointment Elmer F. Kelm of Chanhassen,
Minnesota, to be Collector of Internal Revenue
for the District of Minnesota

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C O N T E N T S

STATEMENT OF

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President, Central Labor Union,
Minneapolis, Minnesota

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National Legislative Representative,
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Appointment of Elmer F. Kelm of Chanhassen,
Minnesota, to be Collector of Internal Revenue
for the District of Minnesota.

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Tuesday, January 29, 1946.

United States Senate,
Subcommittee on Finance,
Washington, D. C.

The Subcommittee met pursuant to call at 3:30 p. m., in
the Foreign Relations Committee Room, United States Capitol,
Senator George L. Radcliffe presiding.

Present: Senators Radcliffe (presiding), Taft and
Bushfield.

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Senator Radcliffe: Gentlemen, this is a Subcommittee
of the Finance Committee, appointed to consider the appoint-
ment of Mr. Elmer F. Kelm of Chanhassen, Minnesota, to be
Collector of Internal Revenue for the District of Minnesota,
in place of Arthur D. Reynolds.

This morning Mr. Phillips, who was here, stated that he
desired to be heard in this matter.

Mr. Phillips, will you identify yourself for the record?
We will be very glad to hear from you.

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STATEMENT OF GEORGE P. PHILLIPS,
PRESIDENT, CENTRAL LABOR UNION,
MINNEAPOLIS, MINNESOTA.

Mr. Phillips: My name is George P. Phillips; I am President of the Central Labor Union, Minneapolis, Minnesota.

First, I would like to apologize for not giving you copies of our presentation on this particular matter. Another gentleman who was to represent our Central Body was unable to come down. I received a telegram that he will be here Tuesday morning.

Senator Radcliffe: We will be glad to hear what you have to say, Mr. Phillips.

Mr. Phillips: First, may I call your attention to the fact that the Central Labor Union of Minneapolis and Hennipin County, representing 60,000 members of organized labor and their families paying \$40,000,000 taxes annually, protest the confirmation of Elmer Kelm for the position of Collector of Internal Revenue for the Minnesota District and requests the Committee on Finance of the United States Senate to recommend that the confirmation be withheld by the Senate in order that the attempt to make a vicious spoils system out of the collection of federal taxes from the people may be prevented, and ability and conscientious administration of public office be upheld and rewarded by retaining the present Collector of Internal Revenue, Arthur D. Reynolds,

1 in this position as an encouragement to those in the public
2 service by their knowing that years of honest, able public
3 service will not be penalized by their being discharged with-
4 out cause.

5 Further in behalf of the 60,000 members of the Central
6 Labor Union and their families affiliated with the American
7 Federation of Labor it is brought to the attention of the
8 Committee that no charges whatever have been presented against
9 Arthur D. Reynolds and no logical reason whatever given why
10 he should be removed and no opportunity afforded him to ap-
11 pear in his own behalf.

12 Senator Taft: With reference to this appointment, is
13 it a term appointment; has the term expired; or has he been
14 removed?

15 Mr. Phillips: He has not been removed.

16 Senator Radcliffe: I don't think there is any term for
17 the position of Collector of Internal Revenue.

18 Senator Taft: It is my understanding that he serves at
19 the pleasure of the President.

20 Mr. Phillips: Yes, sir, that is right.

21 Senator Radcliffe: That is my impression too, although
22 I may be mistaken.

23 Mr. Phillips: Further, we have received advice from
24 both his superiors and inspectors of the Treasury Department
25 have declared his office to be the best conducted in the

1 nation, which is quite an honor for a position of this kind.

2 That the ridiculous policy attributed to Robert Hanni-

3 gen, Chairman of the National Democratic Committee, that he

4 intends to see that every appointive office holder is ousted

5 from his position at the end of eight years of faithful ser-

6 vice, is not a general policy but one directed entirely

7 against this friend of organized labor who is endorsed by

8 the Minnesota State Federation of Labor and the Central Labor

9 Union of Minneapolis and Hennepin County and for retention

10 of the position of Collector of Internal Revenue for the

11 Minnesota District and who is a loyal Democrat, while Re-

12 publicans in the Minnesota District, some of whom were ap-

13 pointed by President Herbert Hoover continue to hold office

14 although having served over eight years and are in no way

15 molested by Mr. Hannigan's policy, so that this Hannigan

16 policy is partial and discriminatory in that it operates

17 only against appointees who are Democrats and not against

18 appointees who are Republicans.

19 Can it be that Arthur D. Reynolds only crime is that

20 he was appointed by the late great President Franklin D.

21 Roosevelt?

22 That the nominee Kelm has failed to oppose anti-labor

23 legislation before the Minnesota legislature as to indicate

24 his confirmation would reflect a coordination of the Re-

25 publican and Democratic-Farmer-Labor party to an extent that

1 threatens a one party or totalitarian set up and a situation
2 that dangerously eliminated political competition.

3 That the 60,000 members of the Central Labor Union of
4 Minneapolis and Hennipin County and their Families pay
5 \$40,000,000 in taxes annually and because of their toil and
6 tax paying their request that Kelm be not confirmed should
7 be more heeded than the only voices raised in behalf of Kelm,
8 those of Kelm himself and the Chairman of the Democratic
9 National Committee, Robert Hannigan, particularly inasmuch
10 as Hannigan is not a resident of the State of Minnesota which
11 comprises the collection district of Minnesota.

12 The Committee is requested and urged to obtain from the
13 office of the Chairman of the National Democratic Committee,
14 Robert Hannigan, the protests that have been received against
15 the ousting of the worthy and able Arthur D. Reynolds in
16 order that it may appreciate the volume of the resentment
17 against absentee joblords foisting on the people of Minnesota
18 officials they do not want and ousting popular, able officials
19 of the people like Arthur D. Reynolds.

20 That in addition to ably and efficiently handling the
21 duties of Collector of Internal Revenue throughout the war,
22 Collector Arthur D. Reynolds was active on committees selling
23 billions of dollars of war bonds having been State Admini-
24 strator of Four War Bond Drives and Regional Coordinator
25 Interdepartmental War Bond committees for Minnesota, North

1 and South Dakota, Montana, Upper Wisconsin and Upper Michigan,
 2 gen, and for the eighth year is now State Head of the March
 3 of Dimes, collections for this work closest to the heart of
 4 the late Franklin D. Roosevelt, having increased in those
 5 eight years from \$18,000 to \$242,000 and made a total collection
 6 of \$728,000.

7 This is a worthy example of his contribution to the
 8 people of the State of Minnesota.

9 Senator Radcliffe: Having been a chairman myself for
 10 twelve years, I am quite familiar with the raising of funds
 11 for that purpose.

12 Mr. Phillips: The State Federation of Labor for Minnesota --
 13 and I am authorized to speak for them -- and the
 14 Minneapolis Central body in the St. Paul body, I understand,
 15 will also have its protest in this effort -- they are all
 16 united in seeking to retain Mr. Reynolds.

17 We do not object to Mr. Elmer F. Kelm having any other
 18 position in the government. There are other position, and I
 19 am going to enumerate them, which if he desires any one of
 20 them, we have no objection to that.

21 The following are the remunerative positions than the
 22 one sought by Mr. Kelm, which he refuses to accept, be brought
 23 to the attention of the Committee:

- 24 Federal Deposit Insurance Corporation, \$8,500.
- 25 Federal Housing Administration, \$8,000.

1 Regional Agricultural Credit Corporation Emergency Crop
2 and Seed, \$6,500 to \$7,000.

3 Alcohol Tax Unit.

4 Director Veterans Hospital.

5 Reconstruction Finance Corporation.

6 Productive Credit Association, \$9,000.

7 Farm Credit Administration General Agent, \$10,000.

8 Federal Land Bank \$12,000.

9 President, International Credit Bank, \$10,000.

10 Chief Field Force Farm Credit Administration, \$7,000.

11 Assistant to President International Credit Bank, \$6,500.

12 Small War Plants Corporation.

13 These are all positions which people have held for quite
14 a number of years and they are all appointive positions. So,
15 there are other positions which he can take.

16 We are not protesting any of those positions, should he
17 receive such an appointment.

18 Senator Taft: Do they have jobs going begging in Minne-
19 sota?

20 Mr. Phillips: No, these positions are similar to Mr.
21 Reynold's position, and we are not going to object to whom
22 they work in on these particular things, whether it be Mr.
23 Kelm or someone else.

24 We feel that Mr. Reynolds has done such an outstanding
25 job as Collector of Internal Revenue that we would like to

1 keep him.

2 On the other hand, Mr. Kelm is a banker, so we feel that
3 he has, perhaps, better connections with some of these banking
4 positions I have referred to, probably he would be better
5 suited for that kind of work than being put in the Tax Depart-
6 ment.

7 Mr. Reynolds has been there for eight years, and during
8 this period of time Mr. Reynolds has attended many union meet-
9 ings, himself giving educational talks and laying out a pro-
10 gram with reference to the Tax Department itself, educating
11 the people about collection, filling out the reports, and so
12 forth.

13 His particular work in this field, this program that Mr.
14 Reynolds has given, has served to make tax collection a little
15 more popular -- not too popular -- so, instead of being booted,
16 the tax program was applauded.

17 Senator Taft: He must be a genius.

18 Mr. Phillips: Mr. Elmer Kelm is a banker seldom mixing
19 with the people while the incumbent Arthur D. Reynolds, told
20 many meetings of unions, central bodies and the State Federa-
21 tion of Labor: "You workers pay the great amount of taxes,
22 the wealthy have access to our office rightly and I want you
23 to remember that you working people have just as much right
24 to the aid and information of our office and you are always
25 welcome and we want you to make use of the office."

1 This kind of work helped to make more popular the not
2 too popular tax collecting. Ousting of Reynolds and confirma-
3 tion of Kelm would tend to impress the idea that only bankers
4 are eligible for tax collectors and Reynolds was wrong in
5 telling the common people they had rights in the Tax Col-
6 lector's office.

7 In order that this injustice that is being attempted
8 against the people of Minnesota and Arthur D. Reynolds may
9 not again be possible we urged not only that Kelm be not con-
10 firmed, but that the Committee recommend and urge the pas-
11 sage of legislation to make the offices of Collector of In-
12 ternal Revenue elective offices, and so under the control of
13 the people of the State rather than absentee joblords.

14 Senator Radcliffe: I understand, Mr. Phillips, then, that
15 you are not raising any criticisms of either the integrity or
16 fitness of Mr. Kelm; your position is that you feel that under
17 the circumstances, Mr. Reynolds should be allowed to remain in
18 the position?

19 Mr. Phillips: Yes, sir.

20 Senator Taft: Mr. Phillips, you say that Mr. Kelm is a
21 banker?

22 Mr. Phillips: Yes, sir, he is a banker in Chanhassen,
23 just outside of Minneapolis.

24 Senator Taft: I understand that he was the Chairman of
25 the Democratic Farmer-Labor Party.

1 Mr. Phillips: Yes, sir.

2 Senator Taft: What is that? Is it a branch of the Farm-
3 er-Labor Party? Is that divided into two branches?

4 Mr. Phillips: No, there are only two parties in the
5 State of Minnesota.

6 Senator Taft: You mean it is a consolidated Democratic
7 Farmer-Labor Party?

8 Mr. Phillips: Yes.

9 Senator Taft: Which does he belong to?

10 Mr. Phillips: I do not know, sir.

11 Senator Taft: I did not quite get the point about "one
12 party." I understood you to say that if this man Kelm was
13 appointed that it would tend to make a one-party State out of
14 Michigan.

15 Off the record.

16 (Discussion off the record.)

17 Senator Taft: What is Mr. Reynolds' background?

18 Mr. Phillips: He has Collector for eight years. That
19 is all that I know of his background, sir.

20 Senator Taft: How about his political background?

21 Mr. Phillips: I wouldn't be able to say, sir. I do not
22 know whether he is a Democrat or not. If he has been in there
23 for eight years, I assume that he is. I never met the gentle-
24 man until -- the first time was when I went to the Minnesota
25 State Conven tion.

1 Senator Taft: As far as Mr. Hannigan's objection goes,
2 it seems to me that Mr. Reynolds has been Collector for eight
3 years; but he is not objecting because Mr. Reynolds is not a
4 Democrat?

5 Mr. Phillips: No, I understand that is not the national
6 policy, that it is not carried out in the United States. We
7 do not see why it should be carried out in the State of Minne-
8 sota.

9 We have protested to Mr. Hannigan and to the President,
10 also, and so have other organizations like us.

11 As a matter of fact, we had protested before the Senate
12 recessed, and the matter was before you at that time, but it
13 hadn't been brought out of the Committee, so it had to be
14 presented again.

15 Senator Bushfield: Mr. Phillips, what are some of the
16 organizations that have protested?

17 Mr. Phillips: Well, the State Federation of Labor, the
18 Minneapolis State Labor Union, the St. Paul organization, and
19 various unions affiliated with the American Federation of
20 Labor.

21 Senator Bushfield: They feel that the labor element should
22 prevail in this appointment?

23 Mr. Phillips: Not particularly, no; but we do feel that
24 injustice should not be done to a man who has done an excel-
25 lent job.

 Senator Taft: I have a letter from Charles M. Horne, an

1 industrialist, stating the same position.

2 Senator Bushfield: The letters I have received from the
3 State of South Dakota are in protest against the appointment
4 of Mr. Kelso. Those letters, all three or four that I received,
5 were all from labor people.

6 Senator Radcliffe: Mr. Phillips, do you want to add to
7 your statement, or do you want to file an additional statement
8 in the record in support of your statement?

9 Mr. Phillips: No.

10 Senator Radcliffe: I just wanted you to have the op-
11 portunity.

12 Mr. Phillips: Thank you, sir.

13 Senator Taft: These letters that have been received,
14 might be filed for the record.

15 Senator Radcliffe: We have a number of letters here.
16 They will be made a part of this record, at this point.

17 (The letters referred to are as follows:)

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1 Senator Radcliffe: Is there anyone else who would like
2 to make any statement?

3 Mr. Hines?

4 STATEMENT OF LEWIS G. HINES,
5 NATIONAL LEGISLATIVE REPRESENTATIVE,
6 AMERICAN FEDERATION OF LABOR

7 Mr. Hines: Mr. Chairman, I merely want to verify what
8 Mr. Phillips has said. I want to verify the statement he has
9 made, because I have first-hand knowledge of this situation
10 by reason of the fact that I went to St. Paul and Minneapolis
11 some few months back to attend to some legislation which was
12 pending that was detrimental to our interests.

13 While I was out there, I talked with representatives of
14 the State Federation of Labor and various local unions on
15 this matter and since that time they have been in communica-
16 tion with our office.

17 I filed a letter with Senator George setting forth the
18 facts substantially as Mr. Phillips has set them forth here
19 in his statement.

20 I do not think that there is anything personal in this
21 thing or anything political in it. I think it grows out of
22 the fact that this man Reynolds apparently has done a good job.

23 By reason of his contacts with the unions, he has in-
24 gratiated himself with the labor people in Minnesota. Ap-
25 parently he has worked hard with them.

1 I do not know too much about the other fellow's record,
2 although from what I have been told and from what Mr. Phillips
3 said here today, he does not seem to be a friend of ours.
4 Perhaps that may have something to do with the antipathy
5 towards him on the part of labor.

6 As I said before, I merely want to verify what Mr.
7 Phillips has said and to indicate to you gentlemen that he
8 does speak with authority for the various groups he repre-
9 sents.

10 Senator Radcliffe: We are very glad to have heard you
11 both, Mr. Phillips and Mr. Hines.

12 The Special Committee will consider the testimony and
13 the letters and will report to the general Finance Committee
14 for action.

15 (Whereupon, at 4:00 o'clock p.m., the Sub-
16 committee adjourned.)
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