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SENATE COMMITTEE  
Chairman

STENOGRAPHIC TRANSCRIPT OF  
**HEARINGS**  
BEFORE THE  
COMMITTEE ON FINANCE  
**UNITED STATES SENATE**

Washington, D. C.

February 27, 1947

Volume 1

ON CONFIRMATION OF NOMINATION OF  
HERBERT E. ARNOLD TO BE COLLECTOR  
OF INTERNAL REVENUE AT DALLAS, TEXAS

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ON CONFIRMATION OF NOMINATION  
OF HERBERT E. ARNOLD TO BE COL-  
LECTOR OF INTERNAL REVENUE AT  
DALLAS, TEXAS.

THURSDAY, FEBRUARY 27, 1947

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

The committee met at 10:30 a.m., pursuant to call, in Room 312, Senate Office Building, Senator Eugene D. Millikin, chairman, presiding.

Present: Senators Millikin (chairman), Butler, Brewster, Hawkes, Martin, George, Barkley, Connally, Johnson and Lucas.

Present also: Senator O'Daniel and Representative J. Frank Wilson.

The Chairman. The hearing will come to order.

Mrs. Springer, will you call the roll.

Mrs. Springer. Senator Taft?

Senator Taft. (No response)

Mrs. Springer. Butler?

Senator Butler. Here.

Mrs. Springer. Brewster?

(No response)

Mrs. Springer. Bushfield?

(No response)

Mrs. Springer. Hawkes?

Senator Hawkes. Here.

Mrs. Springer. Martin?

Senator Martin. Here.

Mrs. Springer. George?

Senator George. Here.

Mrs. Springer. Barkley?

Senator Barkley. (No response)

Mrs. Springer. Connally?

(No response)

Mrs. Springer. Byrd?

(No response)

Mrs. Springer. Johnson?

(No response)

Mrs. Springer. Lucas?

Senator Lucas. Here.

The Chairman. Senator Johnson was here a few minutes ago but had to leave.

A quorum is present and we will proceed.

This hearing is to determine the qualifications of Herbert E. Arnold to be Collector of Internal Revenue for the Second District of Texas to fill an existing vacancy. The appointment has been made by the President.



Is Mr. Arnold here?

Mr. Arnold. Yes, sir.

The Chairman. Is Congressman J. Frank Wilson from Texas here?

Representative Wilson. Yes, sir.

The Chairman. Will you please take the stand?

TESTIMONY OF HONORABLE J. FRANK WILSON,  
A REPRESENTATIVE IN CONGRESS FROM THE  
STATE OF TEXAS.

The Chairman. Raise your right hand, please.

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, so help you God?

Representative Wilson. I do.

The Chairman. Congressman, do you know the nominee?

Representative Wilson. Casually.

The Chairman. Will you tell us what you know about him and your opinion as to his qualifications for this position?

Representative Wilson. I know mostly just what I have heard others tell about him.

In my District of Dallas County when the appointment was being considered, I heard numerous folks say that it would be a very good appointment because he was a man familiar with the duties of the office, having been connected with various branches of the office; that he was a good man, and that the appointment would meet with general approval from the people.

The Chairman. Do you know him personally, Congressman?

Representative Wilson. I did not know him until I met him out in the hall. I had wires and letters from folks in my District and I did not know whether I had met him before or not until I met him in the hall and I saw that I had.

I do not think that I have ever heard a man say anything derogatory about his character and, on the other hand, I have

heard a good many folks over the District say that he was a good man, well qualified, and would make a good Collector.

The Chairman. What would you say is his general reputation in your District?

Representative Wilson. I would say excellent.

The Chairman. And as to his qualifications?

Representative Wilson. Excellent.

The Chairman. Any questions?

Senator Hawkes. I would like to ask one or two questions.

The Chairman. Proceed, Senator Hawkes.

Senator Hawkes. From what you said, Congressman, I assume you do not know anything about the appointee except what you heard from others?

Representative Wilson. That is all, Senator.

I have, of course, had very little law practice through the years with the Treasury Department and had very little to do with them except to file my own income tax return, and never had met him except on some occasion for a brief time, and I did recognize his face out in the hall this morning.

Senator Hawkes. That is all.

The Chairman. Any further questions, gentlemen?

Thank you very much for coming this morning, Congressman.

Senator O'Daniel, you understand that you are free to ask any witness any question that you wish?

Senator O'Daniel. Inasmuch as the Congressman testified that he was not acquainted with Mr. Arnold, I have no questions.

The Chairman. Is Mr. Paul A. Hankins, Deputy Commissioner of Internal Revenue, Washington, D. C., here?

Come forward please.

TESTIMONY OF PAUL A. HANKINS, DEPUTY  
COMMISSIONER OF INTERNAL REVENUE,  
WASHINGTON, D. C.

The Chairman. Raise your right hand please.

Do you solemnly swear that in the pending proceeding the testimony you will give will be the truth and nothing but the truth, so help you God?

Mr. Hankins. I do.

The Chairman. You are the Deputy Commissioner of Internal Revenue here in Washington?

Mr. Hankins. Yes, sir.

The Chairman. Do you know Mr. Arnold?

Mr. Hankins. Yes, sir.

The Chairman. Do you know him personally?

Mr. Hankins. Yes, sir.

The Chairman. How long have you known him?

Mr. Hankins. About a year.

The Chairman. What are the relations between Mr. Arnold and your office?

Mr. Hankins. He is now the Acting Collector of Internal Revenue in Dallas, Texas. All of the Collectors of Internal Revenue come under my jurisdiction.

The Chairman. Are you in a position to observe the operations of his office?

Mr. Hankins. Yes, sir.

The Chairman. Have you observed the operations of his

office for a period of a year, you say?

Mr. Hankins. I have been directly in charge of that unit since the 25th of March of this year.

Senator Hawkes. You mean the last year?

Mr. Hankins. Correct.

I have been in the unit and closely associated with the bureau for a number of years.

The Chairman. Do you exercise a general supervision over his office and other similar offices in the United States?

Mr. Hankins. Yes, sir.

The Chairman. How do you get your information on those offices?

Mr. Hankins. We receive monthly accounting reports of the transactions in the office.

We receive monthly reports of the various important operations of the office.

The Chairman. Do you have field inspectors?

Mr. Hankins. Yes, sir.

The Chairman. Do you get reports from them?

Mr. Hankins. Yes, sir.

The Chairman. And have they made reports on this office?

Mr. Hankins. Yes, sir.

The Chairman. Will you tell us now what you know about Mr. Arnold with respect to his qualifications for this job?

Mr. Hankins. Well, Mr. Arnold has been connected with

the Dallas office since 1933. He entered the office as what we call an office deputy. I think his entrance salary was about \$1800 a year.

He has been steadily promoted from his entrance position. He has occupied the position of chief of the miscellaneous tax division in that office; he has been assistant chief of the income tax division; chief of the income tax division; chief office deputy; and is now the acting collector.

The Chairman. Are you familiar with his service record prior to the time you became acquainted with his organization?

Mr. Hankins. Yes, sir.

The Chairman. Have you examined that?

Mr. Hankins. Yes, sir.

The Chairman. Is there anything adverse in the record?

Mr. Hankins. Nothing.

The Chairman. What is the general nature of the report made on him in the service record?

Mr. Hankins. Well, reports on the individuals do not appear in the service records.

The service record consists of the various documents pertaining to his appointment and promotion and his efficiency ratings, and his efficiency ratings have been very good and excellent.

The Chairman. Have any charges at any time been made

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against him barring what charges may be made in this proceeding?

Mr. Hankins. A few months ago we received a letter from Senator O'Daniel containing some charges with respect to a trip that Mr. Arnold was alleged to have made at government expense over into Arkansas; that is the only charge that I know of.

The Chairman. What was the nature of the complaint?

Mr. Hankins. Well, that he had traveled on government time and at government expense on personal affairs.

The Chairman. Was the matter investigated?

Mr. Hankins. It was.

The Chairman. What was the result of the investigation?

Mr. Hankins. We found that Mr. Arnold had traveled on his own time and at his own expense.

The Chairman. Are there any other complaints except as to what may develop in this particular hearing?

Mr. Hankins. None that I recall.

The Chairman. Will you give us your general conclusions as to the fitness of Mr. Arnold for his office?

Mr. Hankins. I think he is well qualified.

The Chairman. Any questions?

Senator Hawkes. I have one question.

The Chairman. Go ahead, sir.

Senator Hawkes. The only question I would like to ask



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is that you stated his rating was very good and excellent, and was that record over a period of time?

Mr. Hankins. No, sir, ratings are made annually.

Senator Hawkes. That is according to the record?

Mr. Hankins. Yes, sir.

Senator Hawkes. That is all I have.

The Chairman. Senator Brewster?

Senator Brewster. In connection with this episode of the trip to Arkansas, were there any aspects which indicated any change in the situation after the complaint or any ex post facto action?

Mr. Hankins. No, sir.

Senator Brewster. They seemed to be entirely regular?

Mr. Hankins. Yes, sir.

Senator Brewster. There was no basis on the part of anyone that he had done anything out of the ordinary or not in good propriety?

Mr. Hankins. No, sir.

Senator Brewster. That is all I have.

Senator Hawkes. Mr. Chairman, that brings me to a thought which I think the Senator from Maine had in mind.

Was there any evidence that this expense had been charged to the government and later taken off and charged to him personally?

Mr. Hankins. No, sir.

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Senator Hawkes. In other words, you found no justification whatsoever that he had made a trip at government expense?

Mr. Hankins. No, sir.

Senator Hawkes. On personal business?

Mr. Hankins. No, sir.

Senator Hawkes. That is all.

The Chairman. Any further questions?

Senator Lucas. May I ask a question?

The Chairman. Go ahead.

Senator Lucas. I think I may be responsible for having you up here because of something that occurred in the subcommittee hearing last week, and I read from the record here on page 60 as follows:

"Senator O'Daniel. I have another letter here, signed 'A Taxpayer.'

(The letter was then read into the record, but upon the instructions of the Chairman, was physically stricken from the record.)

Senator Hawkes. In other words, that statement that you read came from the --

Senator O'Daniel. From the Internal Revenue office, and it was said that that report made by Mr. Arnold was bad and worthless.

Senator Hawkes. Let me say this to you: We

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had a representative from the Internal Revenue office before our subcommittee. His name was Edgar E. Hoppe. He gave Arnold and his work his thorough approval and recommended him very highly. That shows your Internal Revenue office is divided in this opinion.

Is that from the Internal Revenue office in Washington, D. C.?

Senator O'Daniel. From Mr. Hankins. Paul A. Hankins.

Senator Hawkes. Who is he?

Senator O'Daniel. Deputy Commissioner.

Senator Connally. Mr. Chairman, may I make this observation? I thought this meeting was called only on Mr. Walls' matter. We are going into all this other, new things, without the presence of Mr. Arnold. It is a little unfair, it seems to me."

That is the end of the testimony so I gained, and I think I had a right to gain from that examination that there had been a letter written by you in which you said that some report of some kind had been made by the gentleman whom we are considering here, and it was, as stated here, by Senator O'Daniel "bad and worthless"; and that is the reason we are here.

al 4  
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Now, do you know anything about a report of this kind, or did you ever write a report of any kind advising the individual to whom you might be writing that the report that you might have on this man was bad and worthless?

Mr. Hankins. Senator, I know exactly what is involved. I wrote no such letter and I made no such statement, but I have been misunderstood.

Along in May or June of last year I wrote a letter to all collectors of internal revenue over my signature requesting me to furnish me with an estimate of their personnel needs for the fiscal year 1948.

It was explained in that letter that this was in the nature of an experiment. We had never done this before; we therefore could outline no particular method as we were as much interested in the way in which the various collectors might develop this information as we were in the information itself.

There are 64 collectors of internal revenue and when the reports came in, many of them were very good but it was obvious that some of them had been prepared from an entirely different point of view than others, so that they could not be blended into a composite report.

Sometime later I received a call from Senator O'Daniel's office.

Senator Lucas. About what time was that now, when this

al cc letter was written to these collectors.

Mr. Hankins. The letter was written on May 28, 1946.

Senator Lucas. May 28, 1946.

Mr. Hankins. It requested them to have the report into my office by July 15, 1946, and, as I recall, most of them were in by that time, and a few of them asked for short extensions of time.

The Chairman. Senator Lucas, I am not clear on what the relation of this letter is to Mr. Arnold.

Senator Brewster. He was developing that. I gather he is coming to that.

Mr. Hankins. Shall I proceed?

The Chairman. Proceed.

Mr. Hankins. I received a call from Senator O'Daniel's office inquiring about the report with respect to the Dallas office.

I believe it was the Senator's secretary with whom I conversed over the telephone.

Senator Lucas. Was that on this particular report that you were asking for that he was inquiring about?

Mr. Hankins. Yes, sir.

Senator Lucas. All right, proceed.

Mr. Hankins. I believe it was the Senator's secretary with whom I talked.

He asked me if he might have a copy of the report, and I

al 6

was somewhat uncertain as to whether I should deliver a copy of that report because, as I explained to the gentleman, it had never been used.

The reason it had never been used is because the composite of the 64 reports, they just did not jibe, and I never presented them to the Commissioner, although I did discuss the general question of whether we should take up help with the Commissioner and he informed me not to ask for additional help, and that was the reason why I demurred in furnishing the copy of the report to Senator O'Daniel.

The Chairman. Were the other reports used?

Mr. Hankins. None of them were used.

Senator Lucas. This had nothing to do with the efficiency or running or working of the office at all?

Mr. Hankins. No, sir, it was just based on an opinion.

We asked the collector to appoint a committee to develop this information.

Senator Lucas. Did you say the opinion of this man, Mr. Arnold, his report was worthless?

Mr. Hankins. I did not.

Senator Hawkes. Did you make any comment regarding the report at all?

Mr. Hankins. I did not.

Senator Hawkes. You made no report, you just said that none of the reports were used and that it was worthless?

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Mr. Hankins. That is correct.

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Senator Brewster. The whole thing was worthless?

Mr. Hankins. I am not sure I used the word "worthless."

I said the reports could not be used.

As a matter of fact, it was my opinion that they were not worthless.

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Senator George. You meant they were not of use for the particular purpose that you had in mind?

Mr. Hankins. That is right.

Senator Brewster. I think that is how the misunderstanding arose.

Mr. Hankins. Yes, sir.

Senator Brewster. You were referring to the collective report?

Mr. Hankins. Yes, sir.

Senator Brewster. But you did decline to furnish a copy to Senator O'Daniel?

Mr. Hankins. I did not make a pointblank refusal, I just asked not to do it.

Senator Hawkes. In other words, you just did not do it.

Senator Brewster. Is that report still in existence, or has it been destroyed?

Mr. Hankins. It is still in existence and was delivered on February 25 of this week to the Civil Service as a result of a subpoena duces tecum.

Senator Brewster. That is all I have.

The Chairman Senator O'Daniel?

Senator O'Daniel. Mr. Hankins, you testified that you are the Deputy Collector of Internal Revenue?

Mr. Hankins. Deputy Commissioner, yes, sir.

Senator O'Daniel You are directly under Mr. Nunam and



he is the Internal Revenue Collector?

Mr. Hankins. Yes, sir.

Senator O'Daniel. Did Mr. Nunam know of your sending out of this letter of inquiry? Did you so discuss that with him?

Mr. Hankins. Not priot to sending it out.

Senator O'Daniel. Just of your own volition you tried this experiment of sending it out and asking the Collectors in regard to the affairs in their own offices?

Mr. Hankins. Yes, sir.

Senator O'Daniel. Well now, you testified at the beginning that Mr. Arnold was the Office Deputy, started in as Office Deputy about 1933 at \$1800?

Mr. Hankins. Yes, sir.

Senator O'Daniel. And that since then he has been promoted to Chief of the Tax Bureau in his district, Assistant Chief of Internal Revenue, the Chief Office Deputy and Office Collector?

Mr. Hankins. Yes, sir.

Senator O'Daniel. When did you enter the Service?

Mr. Hankins. January 2, 1917.

Senator O'Daniel. Where, Mr. Hankins?

Mr. Hankins. Peoria, Illinois.

Senator O'Daniel. And what has been your advancement since then and the different offices that you had. What offices did you start in?

Mr. Hankins. I started as a Stamp Clerk. I served in the office at Peoria, Illinois, as a stamp clerk during 1917 and part of 1918, when I went into military service.

I returned and served as an auditor in the Income Tax Division until that office was consolidated with the office at Chicago, Illinois on August 1, 1919.

I served as an auditor and as Chief of the Accounts Section and Assistant Chief of the Income Tax Division. I left the service in May of 1926 and entered private practice in Chicago.

Senator O'Daniel. Law practice?

Mr. Hankins. Yes, sir.

I reentered the Internal Revenue Service in March of 1934, as Assistant Chief Field Deputy in the Chicago office; I was later Acting Chief Field Deputy for a short time and in August of 1935 I was appointed a Supervisor of Accounts and Collections with headquarters in Chicago, covering the States of Indiana, Illinois and Missouri.

On November 1, 1943, I was transferred to Washington and was brought in here for the purpose of organizing a planning division in the Accounts and Collections unit.

I am not so sure about my dates here, but about a year later I was made Assistant Deputy Commissioner of Accounts and Collections and later I was appointed Assistant to the Commission and subsequently Assistant Commissioner.

On July 27 of this year I was appointed Deputy Collector

of Accounts and Collections unit.

Senator O'Daniel. In your service with the Government, how long have you been acquainted with Mr. Arnold?

Mr. Hawkins. I have been only personally acquainted with Mr. Arnold since he became Acting Collector at Dallas about a year ago.

Senator O'Daniel. You do not know anything about his qualifications during the time he served prior to the time you became acquainted with him a year ago?

Mr. Hankins. Naturally, Senator, when he became Collector I familiarized myself with the past record because I knew I would have to deal with him and I familiarized myself with his record.

Senator O'Daniel. In what way did you familiarize yourself with his record?

Mr. Hankins. I reviewed the personnel files of the Bureau. I went back and looked at some of the reports of the Supervisor of Accounts and Collections who covers that district, and I discussed Mr. Arnold with the Supervisor of Accounts and Collections and I discussed him with Mr. Hoppe, who is now head of the Planning Division and formerly was Supervisor of Accounts and Collections in that area.

Senator O'Daniel. And you came to the conclusion that his record was good?

Mr. Hankins. Yes, sir.

Senator O'Daniel. You found nothing against his record

at all?

Mr. Hankins. Nothing.

Senator O'Daniel. You considered him a good executive?

Mr. Hankins. Yes, sir.

Senator O'Daniel. And when you wrote him this letter on May 28, 1946, you were under the impression that you were writing to a good executive for information that you needed in your office?

Mr. Hankins. Yes, sir.

Senator O'Daniel. Would you read the letter that you wrote to Mr. Arnold, please?

Mr. Hankins. This letter was written not only to Mr. Arnold, but to all Collectors of Internal Revenue.

The Chairman. In exactly the same form?

Mr. Hankins. Yes, sir.

"Since the enactment of the Current Tax Payment Act of 1943, budgetary needs of the Accounts and Collections Unit have been based largely upon estimates because there was no experience by which the needs of Collectors' offices could be appraised in the face of a radical change in collection methods requiring the use of procedures which were necessarily experimental. It is believed that a point of relative stability has been achieved, and while the Bureau will constantly strive to perfect its methods, no fundamental change in

existing collection methods is anticipated, barring the enactment of new legislation.

It is realized that many of the original estimates relating to work load have been proved by experience to have been faulty and that some factors were not assigned their proper weight in making the original estimates. In the experimental period, methods have been evolved which tend to expedite the work, but on the other hand, certain problems have assumed unforeseen proportions.

Within the next few months, it will be necessary for the Bureau to present its requirements for the fiscal year 1948 to the Bureau of the Budget and to the Appropriations Committees of the House of Representatives and the Senate. To assist in the development of the necessary data, you are requested to select a committee of your most experienced and trustworthy assistants to analyze the needs of your office based on the assumption that there will be no fundamental changes in legislation."

The Chairman. Mr. Arnold, are you still in the back of the room, and can you hear this?

Mr. Arnold. Yes, sir.

Mr. Hankins. The letter continues:

"Your report should show the estimated needs for permanent personnel for the full year of operations,

July 1, 1947 to June 30, 1948, and, separately, the amount of temporary help needed between January 1 and June 30, 1948. So that there will be general agreement as to the sufficiency and accuracy of the estimates included in your report, your committee should consult freely with and avail itself of the experiences of the Supervisors of Accounts and Collections.

It is desired that the information be shown by divisions and the number of employees needed be shown by grade and symbol number. No requests for reclassification of existing positions or creation of new positions should be made in this report. If substantially more permanent employees than are now authorized are needed in any division, a complete justification should be made to support the estimate.

In the initial trial of this method of developing appropriation estimates, the Bureau has purposely avoided a set pattern for Collectors to follow in the belief that the devices used will be fully as interesting and informative as the data produced. The report should embrace a description of the manner in which it was constructed. Since the data will necessarily be based upon the assumption of a specific number of returns, or other items in each category, the report should indicate the number of such returns or items assumed. Where

5 the number of employees needed to perform a particular operation is based upon production records, the rate per day should be shown.

The furnishing of this data by you and its acceptance by the Bureau will not be regarded as a binding commitment on the part of either. This task is one that cannot be done hurriedly and it is suggested that it should get under way promptly so that your report may be submitted to the Bureau by July 15, 1946. This is the first time that Collectors have been invited to contribute to this important function. In making this request, the Bureau fully realizes that it is imposing an additional task on your office but if the work is carefully and accurately done, it should prove to be of inestimable benefit to the service.

An acknowledgment of the receipt of this letter will be appreciated.

Sincerely yours,

(signed) Paul A. Hankins

Assistant Commissioner."

Senator O'Daniel. At the time you wrote that letter, how long had Mr. Arnold been in charge?

Mr. Hankins. January 28th, he had been in four months.

Senator O'Daniel. Prior to that he had come up through the organization and would you consider that he had been

9 ps6 responsible for the conduct of the business in any way before he was appointed Acting Collector?

Mr. Hankins. Yes, sir.

Senator O'Daniel. You would? This letter that you have just read, I can see where no one could criticize that letter, it looks like a strong letter and a good letter asking for useful information that you were seeking to get useful information from those in whom you had confidence and who had a long experience in this line?

Mr. Hankins. Yes, sir.

Senator O'Daniel. You do not at the present time want to say that your letter was useless?

Mr. Hankins. I would not want to say that, Senator

Senator O'Daniel. You say that it was a good letter, do you not?

Mr. Hankins. Yes, sir.

Senator O'Daniel. I think so, too, and I think it was a good way to go about it to get the opinion of those in the field.

You asked for an acknowledgment of that letter?

Mr. Hankins. Yes, sir.

Senator O'Daniel. Did you get it?

Mr. Hankins. Yes, sir.

Senator O'Daniel. Have you got it with you?

Mr. Hankins. Yes, sir.



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Senator O'Daniel. Did you get more than one answer to that letter, Mr. Hankins? I mean from Mr. Arnold?

Mr. Hankins. Yes, sir; I received the acknowledgment and then I received the report.

Senator O'Daniel. You got two letters?

Mr. Hankins. Yes, sir.

Senator O'Daniel. Do you have copies of those letters?

Mr. Hankins. No, sir; I do not have any copies of them with me.

Senator O'Daniel. You admit that my office asked you for a copy of this report that came in in response to your letter?

Mr. Hankins. Yes, sir.

Senator O'Daniel. And you admit that you did not give it to my office until it was subpoenaed?

Mr. Hankins. Yes, sir.

Senator O Daniel. I have it now, Mr. Chairman, the report here.

Senator Lucas. May I inquire how it was subpoenaed?

Mr. Hankins. By the Civil Service Committee.

Senator Lucas. Of the Senate?

Mr. Hankins. Yes, sir.

Senator Lucas. Upon what basis?

Mr. Hankins. Well, Senator, I cannot answer that. I have a copy of the subpoena that was served on me and I appeared before the Civil Service Committee on Tuesday of

1 ps8

this week.

Senator Lucas. In other words, the two committees handled it?

Mr. Hankins. I do not know, Senator.

Senator Hawkes. What I want to ask is, does the Senator from Illinois think it is an improper thing for the Senator from Texas to have subpoenaed these documents?

Senator Lucas. I am not asking that; this was the committee to have subpoenaed, right here.

Senator Hawkes. I am asking you whether you think it is an improper thing to have the letter.

Senator Lucas. I do not think it is improper at all, but I think if it was to have been subpoenaed, it should have been subpoenaed through this committee and not through the Civil Service Committee, who had no jurisdiction at all.

Senator Barkley. I understand that your department regards these reports as confidential, do you not?

Mr. Hankins. Yes, sir; we regard these reports as confidential.

Senator Barkley. You reason for not giving them to an individual Senator is that they are confidential?

Mr. Hankins. Yes, sir.

Senator Barkley. The reason you did not was because the Committee did not ask for it?

Mr. Hankins. Yes, sir.

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Senator O'Daniel. Mr. Hankins, do you think that the business of the Internal Revenue Department and your participation in the affairs of the Internal Revenue Department is of such confidential nature that a Senator should not be familiar with the department in his own home State and the correspondence going on between that department and the department up here?

Mr. Hankins. Well, Senator, I have never declined to give any information that was available to any member of the Congress who asked for it, but this was a report that I believe was at least confidential in nature and I hesitated and questioned my right to turn over such a report except under subpoena.

Senator O'Daniel. Well, it did not deal with the personal collection of accounts or private information of any citizen, it just dealt with Civil Service matters and Internal Revenue Department matters.

At any rate, it has been testified by you that you were requested to give a copy of this report to the Senator from Texas and you refused to do it and we now have it here.

I have it and it was subpoenaed by the Senate Civil Service Committee because the Civil Service Committee was asked by me to subpoena the letter and I am a member of that committee.

Senator Hawkes. Mr. Chairman, may I make this remark?

We have a lot to do today and we have people from out of town and unless someone on this committee thinks it is improper as to what kind of reply Mr. Hankins made, I suggest that we get to the letter.

The Chairman Senator O'Daniel, will you get to the letter?

Senator O'Daniel. The Civil Service Committee is considering the functions of the Internal Revenue Department.

The Chairman. The important thing is the letter.

Senator Lucas. Mr. Chairman, there is a fundamental policy involved in this thing more so than the letter. I just want to make that remark.

c6 Senator O'Daniel. The letter is dated Dallas, Texas, June 26, 1946, and reads as follows:

"Dear Mr. Hankins?

The problem presented in your personal letter of May 28, 1946, requesting that this office prepare an analysis of its personnel requirements for the fiscal year 1948, is receiving most careful attention. Detailed studies which will enable us to submit a carefully prepared estimate with necessary supporting data, are in full progress.

This office deeply appreciates the opportunity of presenting its estimated needs for the fiscal year 1948.

This letter is not intended as a reply to your letter, its sole purpose is to inform you of certain problems facing this office at the present time concerning which we feel you should be advised in order that all concerned may be informed as to the true facts and their relation to specific Bureau directives. We are impressed with the statement contained in the second paragraph of your letter that certain problems have assumed unforeseen proportions. These unforeseen problems, and their solution for the fiscal year 1947, beginning in a very few days, present a major problem to us.

A and C mimeograph collection No. 5982, dated February 8, 1946, directing the closing of audit work on 1943 income tax returns, instructed us to determine the number of such returns our field force could investigate and then close in addition to their regular duties during the calendar year 1946. The estimate was made, and a picked team selected approximately 18,000 cases which were sent to our field division. You will be interested to know that during the month of May, the first full month of work on these returns, 1,744 cases were closed, resulting in additional taxes of \$347,529.10, 90 per cent of which was either paid or covered by signed waivers.

The above directive resulted in our referring every income tax return we thought our field men could work during 1946 to our field division.

Then A and C mimeograph collection No. 6017, dated May 23, 1946, arrived. This mimeograph directed the collection of all audits of 1944 returns by December 31, 1946, and of all 1945 returns by September 30, 1947.

This office began receiving 1943 income tax returns from the processing division for refunding operations in November 1944. Since that time we have performed all refunding operations for the years 1943, 1944, and 1945, and have worked up all credit schedules as well.

This work has required almost the entire time to date of our income tax division.

As a direct result of this work combined with the unavailability of 1943 and 1944 returns shipped to the processing division, a tremendous backlog of correspondence, amended returns increase concerning refunds and other such cases accumulated in this office. Practically every one of these cases will cause much additional correspondence from taxpayers to this office, to your office and to Congressmen and Senators if it is not cleaned up at once.

In addition, over 3,000 irregular W-2 cases for

1945, necessitating voluminous correspondence, are now in process of being closed.

We estimate it will require another sixty days to clean up the above backlog of work, but we consider its completion of paramount importance because so much unnecessary additional correspondence will be eliminated thereby, and the flow of over 150 inquiring taxpayers per day who now visit our income tax division to determine the status of their cases will cease.

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Completion of this work, however, will mean we cannot start our auditors to work on 1944 audits until September 1, 1946. This will allow them only four months to complete the 1944 audit. Although records show that we have 32 auditors, the full time of 16 of them is taken up by taxpayers calling at this office and by telephone inquiries, leaving only 16 available for actual audit work. Of course, they can only scratch the surface in that length of time.

If we are to make the refunds on 1946 tax returns the entire time of our income tax division from January 1, 1947 to June 30, 1947 will be required. This will allow only the months of July, August, and September to complete the 1945 audit, which of necessity will be most casual.

We estimate that there is enough additional tax

due on 1945 returns alone, if properly audited to pay the entire operating costs of this office for the next five years.

We will, of course, comply with your directives to the letter and we will close the 1944 and 1945 audits as directed, but we feel that before we do so, we must, in all conscience; inform you of conditions facing this office.

The study we will submit for the fiscal year 1948 will contain recommendations which, if adopted, will prevent the recurrence of the situation facing us for the fiscal year 1947.

Assuring you of our full cooperation in your efforts to bring the work in collectors' offices as nearly current as possible for the year beginning July 1, 1946, I remain,

Sincerely yours,

H. E. Arnold,

Acting Collector."

The Chairman. You remember receiving that letter?

Mr. Hankins. Yes, sir.

The Chairman. Mr. Arnold, do you remember sending that letter?

Mr. Arnold. That letter was worked up by the committee that was drawn up as a result of Mr. Hankins' letter.



The Chairman. Come up, Mr. Arnold, where we can see you.

Mr. Arnold. Mr. Chairman, I would like to bring up the head of that committee that worked up that report.

The Chairman. Well, come up with him.

Senator Hawkes. Mr. Chairman, why not swear all the witnesses at one time?

The Chairman. No, I do not want to swear them all at one time.

Senator O'Daniel. Mr. Hankins, what can you find bad about that letter?

Mr. Hankins. I do not find anything bad about the letter.

Senator O'Daniel. Did that not provide you with much information that you did not previously have?

Mr. Hankins. Yes, sir.

I knew of that condition, that condition existed everywhere at that time.

Senator O'Daniel. Then this letter did not provide you with anything that you did not already know?

Mr. Hankins. It provided me with statistical information that I did not have as far as the Dallas office, but as far as the general condition in all of the offices, I was of course aware of it.

The Chairman. Do your questions go to the qualifications of Mr. Arnold or to the qualifications of the witness?

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Senator O'Daniel. I am trying to bring out the statement of the witness that he said that this report was bad and useless.

Senator Lucas. He did not say that.

Senator O'Daniel. Well, he denies saying that.

The Chairman. Is anyone ready to say that he did?

Senator O'Daniel. I have two witnesses who will testify to that.

The Chairman. Go ahead.

Senator O'Daniel. The next letter that was written contains some things that I want to point out, especially how far behind in this work the office was down there as indicated by the report that was submitted, and I have it here. I read as follows:

"Income tax refund cases for 1943 and 1944, 17,150; decedents returns for 1943 and 1944, 7,000."

The heading on this report that I am reading from now, Mr. Chairman, is "Recapitulation of Cumulated Work From Prior Years Now On Hand In This Office Which Might Be Completed At The Earliest Possible Date."

The Chairman. Are you reading from the same letter?

Senator O'Daniel. I finished the letter.

The Chairman. What is this?

Senator O'Daniel. From the report.

The Chairman. That accompanied the letter?

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Senator O'Daniel. The letter is here with the report now.

The Chairman. Give us the history of what you are reading from.

Senator O'Daniel. I am reading from the report that was later sent in.

The letter was a letter from Mr. Arnold to Mr. Hankins dated June 26, 1946.

The Chairman. I do not have in mind the history of what you are reading from.

Senator O'Daniel. The report came in later from Mr. Arnold to Mr. Hankins.

The Chairman. When did that come in.

Senator O'Daniel. I think that came in the latter part of July, but this is the report.

I am reading from the report.

Senator Connally. Mr. Chairman, may I suggest to the Senator and the Chairman that we have a lot of witnesses here all the way from Texas and I wonder if we could not use the witnesses and then let the Senator comment on these things as long as he wants to. We are killing a lot of time.

The Chairman. I am trying to expedite the matter as much as possible. We want to give Senator O'Daniel as much time as he needs.

I know he will be solicitous of the time element in-

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Senator O'Daniel. I appreciate the valuable time of the able Senators but this is a matter that I think is of much importance.

It is a report sent in by Mr. Arnold.

Senator Barkley. Mr. Chairman, would it not be more orderly to have the report itself read rather than have the paragraphs read?

The Chairman. We ought to have some foundation, Senator, as to what you are reading from.

Why do you not identify the report, have the witness identify it, and if necessary, Mr. Arnold can identify it, and then base your questions accordingly?

Senator O'Daniel. I did identify it. I asked the witness if this was the report and he said it was.

The Chairman. What was the date of it?

Senator O'Daniel. "Analysis of Personnel Requirements, Fiscal Year 1947 for the Office of Internal Revenue, Second District, Dallas, Texas."

Senator Hawkes. What is the date?

Senator O'Daniel. I do not see any date.

Senator Lucas. Is that the letter that the Senator just read to the committee?

Senator O'Daniel. No, that was the acknowledgment letter.

Senator Hawkes. Maybe the witness could give the date.

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Mr. Hankins. I think there was a transmittal letter in addition to the one the Senator read.

Senator Butler. Why not present the transmittal letter?

Mr. Arnold. May I suggest, if the letter of transmittal is read, that covers practically the whole report in connection with these figures, the letter of transmittal.

Senator O'Daniel. The letter of transmittal is dated July 15, 1946.

The first letter I read was dated June 26, 1946.

Senator Brewster. That, perhaps, should be offered as an exhibit.

The Chairman. I should think, Senator, you would read the letter of transmittal or offer it. It is a foundation to the report on which you are working.

Senator O'Daniel. I will be glad to offer all of this report with the understanding that the report is given back.

The Chairman. How lengthy is the report.

Senator O'Daniel. It is very lengthy.

The Chairman. Do you think it is relevant to your inquiry?

Senator O'Daniel. The part I am reading here.

Senator Barkley. Is the whole report going in?

The Chairman. I had not ruled on it.

Senator Barkley. It seems to me that the whole report speaks for itself. The committee would know more compre-

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--paragraph.

Senator Hawkes. Mr. Chairman, is it not a fact that the only purpose of reading this and taking the time of the committee and the other gentlemen is that you are going to base some question on it to the witness?

Senator O'Daniel. I was going to show that the letter of June 26 states that this work, much of this work, had been cleaned up to that time and the letter of July 15 makes a request for personnel, submitting the report, and shows that the total accumulated backwork on hand is 132,450 cases.

Senator Brewster. Mr. Chairman, I think that this should all be made as an exhibit so that anyone may have it available.

I apprehend that Senator O'Daniel is concerned that if there should be discussion in another forum he would have it available and it should be available to him either by loan or by duplication in our record if the Chairman feels that is warranted or essential.

The Chairman. I have been trying to determine that question.

Senator Brewster. I think that should be an exhibit. If later Senator O'Daniel wants a copy or the original, the Chairman may determine.

The Chairman. I do not want to encumber the record. I

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am trying to decide whether it ought to be put in the record.

What do you intend to show from your present line of inquiry, Senator O'Daniel?

Senator O Daniel. I am endeavoring to draw from this witness that he asked for this report, and I am informed that he told my office that the report was bad and worthless.

Now, he denies having said that.

I would like to ask Mr. Hankins if he thinks it is a good report.

Mr. Hankins. I think it is an excellent report.

Senator O'Daniel. If you think it is an excellent report, do you think that the office is in good condition down there when on July 15 they had total accumulated backwork on hand of 132,450 cases and they had 36 auditors as contained in the report, half of them answering telephone calls and trouble shooting because they had so many accumulated records down there?

Half of the auditors were receptionists or trouble shooters to take care of the complaints coming in on account of the accumulated cases, 132,450 accumulated cases.

Do you think that shows a healthy condition in the office?

Mr. Hankins. Relatively speaking, yes.

Senator O'Daniel. Not relatively speaking, specifically speaking of the Dallas office.

Mr. Hankins. Of course, that is what the collector

ps3 was complaining about in that letter, that he did not have enough personnel to get the work done.

The letter I read to you, addressed to you, stated that much of the work had been already done.

Mr. Hankins. Yes, but there is still this residue that was there at that time.

Senator O'Daniel. I think a close scrutiny and examination of this report will show that much of the accumulated cases that are listed here, the 132,000 referred to in his first letter to you on June 26 as having been already accomplished, yet with the later letter of July 15, he enumerates all of the cases that need attention at that time, and in that same report asks for additional help of 232 employees.

Senator Lucas. 232?

Senator O'Daniel. At a total cost of \$360,000.

The letter states specifically that during certain times of the year he is able to clean up these accumulated back cases back to 1943 if they will just get busy and do it.

Senator Lucas. What is the question now, Mr. Chairman?

The Chairman. I would like information on the same subject.

Will the Senator state his question?

Senator O'Daniel. The witness has stated that he has checked the record of Mr. Arnold for many years and he considers him a high class executive and he has written him for



a report and he denies having said it was bad and worthless but now admits that it is a good report and yet that report itself reveals a condition in the Dallas office which appears to be anything but good.

Do you think that is a healthy condition that appears according to this accumulated work, Mr. Hankins?

Mr. Hankins. I think it was as healthy a condition as could possibly exist under the circumstances.

Senator O'Daniel. Under what circumstances? How many employees did they have down there?

Mr. Hankins. The circumstances are, Senator, that we switched over from one method of tax collection to another in 1943, and we had to do a lot of experimenting on a trial and error basis before we found out how to handle this current tax payment method.

Senator George. You being pressed on all sides for re-funds; that is, the Commissioner was?

Mr. Hankins. Yes, sir.

Senator George. That was true throughout all the offices in the country?

Senator Brewster. Do you think an examination of the other reports received in response to this letter will indicate comparable situations? Would that indicate that this was typical?

Mr. Hankins. Yes, sir. I would say that of the whole

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this was probably better than most of them and probably not quite as good as others. It was possibly a fair average.

The Chairman. Have you any reason to believe that the Collector was not using his staff to the best advantage that he could have?

Mr. Hankins. I have no reason for believing that.

Senator Brewster. Then you got reports which indicated that these conditions, 320,000 back returns prevailed throughout the country?

Mr. Hankins. Yes, sir.

The Chairman. I will now rule that the report from which the Senator has been questioning will be entered of record.

Senator O'Daniel. I would suggest, Mr. Chairman, that the report requires discussion but I am just pointing out the highlights because you have indicated that you do not want the full report.

The Chairman. The report will be entered of record and you are at liberty to make whatever point you can from the report.

(The information is as follows:)

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Senator O'Daniel. The witness has testified as to what refunds are due, and I would like to call your attention to this estimate in Arnold's letter in which he stated that there was enough tax, additional tax, in 1945 returns alone, to pay the entire operating cost of this office for the next five years.

Do you consider that good executive management for the collector to admit that 1945 tax returns have not been audited and if they had been properly audited enough revenue would have been received to pay the cost of the office for the next five years.

Mr. Hankins. That is substantially what Commissioner Nunan told the Appropriations Committee of the House at the hearing.

Senator O'Daniel. I am asking you if you think that was good executive management. Do you think Mr. Arnold was handling that office in good executive form?

Mr. Hankins. Yes, sir.

Senator O'Daniel. That would indicate that you approve Mr. Arnold as an executive and a man capable of holding this office when he admits the office was in bad condition?

Mr. Hankins. He was doing the best he could without additional personnel.

Senator Brewster. Mr. Chairman, did you put this in the record? I say that because it might avoid putting all this

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in the record.

The Chairman. I understood you wanted it in the record. Does anybody not want it in the record?

Senator Connally. Mr. Chairman, this is a record of the bureau and they would probably want it back, and it could go in the record.

The Chairman. It will go in the record.

Senator Barkley. At the time of Mr. Arnold's first letter of June 1946, how long had Mr. Arnold been the Collector?

Mr. Hankins. Five months.

Senator Barkley. This condition which he described in a preliminary way in his first letter to you, that letter of June was in reference to an accumulated situation which had existed since 1943 when you changed over to the new system of collecting, withholding taxes, and all that?

Mr. Hankins. Yes, sir.

Senator Barkley. From that letter and from the report which is now going into the record, did you form any opinion as to whether Mr. Arnold was padding his request for assistance, asking for more personnel than he was entitled to under the conditions?

Mr. Hankins. I do not believe he was, Senator.

Senator O'Daniel. I would like to call attention to the fact that the witness has testified that he has not allowed any additional employee for the Dallas office although Mr.

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Arnold requested 232 additional employees.

The witness has testified that the deplorable condition existing down there was due to conditions resulting from shortage of help, and that there is enough back money due for 1945 reports to pay the office expense for five years, yet if the existing personnel down there is unable to do this, and has been unable to do it, and they are not giving him additional personnel, how can they clean it up?

The Chairman. Mr. Hankins, did I understand that you had presented this to the House Committee and they had not given you additional help?

Mr. Hankins. I said I laid this problem before the Commissioner and he informed me that as a matter of policy he was not going to ask for additional help.

Senator Lucas. But he did give the information to the committee, the information that is in this report?

Mr. Hankins. Oh, yes. The Commissioner testified before the Appropriations Committee of the House to the effect that the Bureau of Internal Revenue is only able with its present staff to audit approximately 3 percent of the individual income tax returns.

The Chairman. And what was the response of the committee in the way of additional funds for employing additional help?

Mr. Hankins. The result of the committee's deliberations have not been made public.

Senator Barkley. This was a recent thing?

Mr. Hankins. Yes, sir.

The Chairman. I see.

Senator Barkley. With reference to 1948.

Mr. Hankins. Yes, sir.

The Chairman. Senator O'Daniel's point is that the report shows inefficient handling of the Dallas office. Your point is that they have done the best they can do with the help available?

Mr. Hankins. Yes, sir.

Senator Brewster. Did the Budget report from the President contain any provision for additional assistance?

Mr. Hankins. No, sir.

Senator Hawkes. Why not, if this terrific condition exists, why with all of the other demands, why was it not there?

Mr. Hankins. I will have to ask you, Senator, not to ask me that question. That is not my problem.

Senator Brewster. You stated that the Commissioner said as a matter of policy he was not going to ask for it. Do I understand that he did not ask the Budget Bureau for additional

funds?

Mr. Hankins. He did not ask for any additional funds for the accounts and collections unit.

The Chairman. Senator O'Daniel?

Senator O'Daniel. In the interests of conserving time, I will not carry this any further with reference to this report which we now understand from Mr. Hankins is a good report and it is very revealing in my opinion.

Senator Hawkes. Mr. Chairman, may I ask this specific question because I think it is very important?

Senator O'Daniel says that the witness, Mr. Hankins, said this was a bad report and useless, and I understood him to say a few minutes ago that he had two people who knew that Mr. Hankins had made that statement contrary to the testimony on the stand. May I ask whether you intend to present either or both of those witnesses?

Senator O'Daniel. I intend to present both of those witnesses.

Senator Hawkes. Are they available?

Senator O'Daniel. They are available and will be available all day.

Another subject has been injected into this discussion and I want to refer to it, a letter which was written to John W. Snyder on September 22, 1946, which reads as follows:

"Dear Mr. Secretary:

Certain information has come to me relative to conditions existing in the Dallas, Texas, office of the Internal Revenue Collectors Office which I feel should be passed on to you."

The Chairman. Who wrote this letter, Senator?

Senator O'Daniel. I do not have the name of the informant right here.

The Chairman. Did you write the Secretary?

Senator O'Daniel. No, the informant has.

I continue:

"Those in charge have abrogated the Civil Service regulations in placing certain favored employees in positions over the heads of employees with longer service and with higher efficiency ratings."

Do you know for a fact whether that charge is true or not?

Mr. Hankins. The only answer I can make to that, Senator, is that I do not know of any such case and I think I would have heard about it if there had been such case.

Senator Brewster. Do you keep any recordings of the telephone conversations?

Mr. Hankins. I do not.

Senator Brewster. Is that the custom in the Treasury Department?



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Mr. Hankins. I could not answer that, it is not a custom with me.

Senator O'Daniel. You mean to say that you have not received any complaints along that line that certain favored employees were placed over the heads of employees with longer service?

Mr. Hankins. The only one I saw was the letter that I wrote to the Secretary.

Senator O'Daniel. You received no other report?

Mr. Hankins. No, sir.

Senator O'Daniel. The charge made that the reason that this employee has been favored is because of his experience in training race horses used by the Collector.

Do you know anything about that, whether that is true or not?

Mr. Hankins. No, I do not have any personal knowledge of this, Senator. We received a report on this matter from Mr. Arnold, but as far as knowing anything about it, I do not know.

The Chairman. What was the report with reference to the race horse business?

Mr. Hankins. The report was not correct.

Senator O'Daniel. Did you make any inquiry through any other source besides asking Mr. Arnold to report on his own activity?

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Mr. Hankins. Well, I did check our records in the Bureau to determine whether or not he had reported any expense in regard to this trip; that was all covered in the same letter. I checked our record to see if he had charged any expense for an official trip when he was alleged to have gone over to Arkansas.

Senator O'Daniel. You did not send anyone to investigate the office and talk to the employees to verify or prove or disprove any of these charges?

Mr. Hankins. No, sir.

Senator O'Daniel. "It is also alleged that one person who is a jockey is given a Federal job in order that he might train these horses owned by the Collector."

Did you ask about that?

Mr. Hankins. No, sir.

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Senator Barkley. May I ask whether Mr. Arnold's reply was based upon your request after receiving this letter to the Secretary of the Treasury?

Mr. Hankins. Yes, sir.

Senator Barkley. That letter was referred down to you by the Secretary and then he took it up with Mr. Arnold?

Mr. Hankins. Yes, sir.

Senator Lucas. May I inquire as to who is the informant on this?

Senator O'Daniel. As I say, I do not have the name of

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this informant.

Senator Lucas. A man that makes a charge of this kind ought to be able to give his name so that we can bring him in and examine him. I do not think it is cricket to have complaints from anonymous people.

The Chairman. Senator, will you have witnesses here today in regard to these matters which you have brought up?

Senator O'Daniel. I will have several witnesses.

The Chairman. Will they deal with that matter?

Senator O'Daniel. I do not know whether they will deal with this matter. This matter has come up and was injected into the proceedings here and I am just trying to clarify the whole problem by stating what the letter was about. There are two more paragraphs and they read:

"It is further alleged that the Collector and certain employees in the office recently made a trip to Arkansas to attend horse races and that the Collector and these employees filed per diem accounts. I do not know if there is any truth in these charges, but I feel as you must do, that they warrant your personal investigation for the protection of the Government."

I wish to call attention of the committee to the fact that Mr. Hankins testifies that his department made no effort to find out whether these charges are true or not, except to write to the man himself and check his records in his office.

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The Chairman. Mr. Hankins, would the expense account of Mr. Arnold show whether he had put in a claim for Government money in connection with a private activity?

Mr. Hankins. Yes, if he had put in any such account.

The Chairman. Did they show that?

Mr. Hankins. No, he had no expense accounts during that time.

Senator O'Daniel. Would the personal records show whether or not he had any leave of absence or annual leave while he was going to these horse races?

Mr. Hankins. Yes.

Senator O'Daniel. Could those reports be changed after they were originally made?

Mr. Hankins. No, sir.

Senator O'Daniel. You are sure of that?

Mr. Hankins. Well, of course, anything can be changed if somebody gets into the records and does it, but there would no one that would have any interest in doing that.

Senator O'Daniel. That is all.

The Chairman. Any further questions?

Senator Connally. I have just one question.

The Chairman. Proceed, sir.

Senator Connally. Mr. Hankins, about this Civil Service matter, do you know whether or not the Collector, Mr. Arnold, called on the Civil Service Commission to make an audit of his

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office and that they did and nothing was found wrong? Have you got that report of the Civil Service Commission?

Mr. Hankins. I do not have the report. In his reply to my letter Mr. Arnold transmitted certain supporting evidence. as to his refutation to these charges and among them, as I recall, there was a letter from the Civil Service office in Dallas saying that they had looked into this matter and found no foundation for it.

The Chairman. Senator O'Daniel, do you intend to have any witnesses that might rebut anything that has been said by Mr. Hankins?

Senator O'Daniel. I cannot say for sure.

The Chairman. Do you wish Mr. Hankins to remain?

Senator O'Daniel. No.

Senator Brewster. I thought you were going to present two witnesses in regard to this statement?

Senator O'Daniel. Oh, yes.

The Chairman. Are you in a position to remain, Mr. Hankins?

Mr. Hankins. Yes, sir.

Senator Barkley. May I inquire how far it is from Texarkana to Dallas County?

Mr. Hankins. I cannot say.

Senator O'Daniel. I might ask the witness if he ever saw Mr. Arnold's horses?

Mr. Hankins. No, sir.

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Senator Connally. You do not know anything about the horse matter?

Mr. Hankins. No, sir.

The Chairman. You are excused subject to further call, Mr. Hankins.

Senator Connally. Maybe if he is pressed with business instead of staying here, he could go on and we could contact him by telephone, I suppose.

Mr. Hankins. I do not mind staying.

Senator O'Daniel. I could bring you the witnesses right now.

The Chairman: Mr. Hankins, you are temporarily excused. Will Mr. D. O. Lowry of Dallas, Texas, come forward, please?

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TESTIMONY OF D. O. LOWRY, CHIEF FIELD  
DEPUTY, INTERNAL REVENUE BUREAU, DALLAS,  
TEXAS.

The Chairman. Will you please raise your right hand?

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, so help you God?

Mr. Lowry. I do.

The Chairman. Be seated, please.

Will you give us the exact nature of your position at Dallas?

Mr. Lowry. Chief Field Deputy.

The Chairman. How long have you occupied that position?

Mr. Lowry. Since October 1940, except for two years absence in the service.

The Chairman. What were you doing prior to that time?

Mr. Lowry. I was Assistant Chief Field.

The Chairman. How long have you been in that office?

Mr. Lowry. January 1935.

The Chairman. Are you acquainted with Mr. Arnold?

Mr. Lowry. Yes, sir.

The Chairman. How long have you known him?

Mr. Lowry. Since the time I was employed.

The Chairman. Are you a subordinate of his?

Mr. Lowry. Yes, sir.

The Chairman. You have been called to give testimony with reference to the abilities and reputation with the Bureau

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of Internal Revenue of Mr. Arnold, will you tell us what you know?

Mr. Lowry. I have been associated with him as an employee since 1935.

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In my opinion he is capable of handling the job that he had then and the one for which he is now being considered, entirely capable.

The Chairman. What exactly are the nature of your duties?

Mr. Lowry. The supervision of the field division which has for personal investigation all tax matters referred to our office from any branch of the Collectors office.

The Chairman. Do you report directly to Mr. Arnold?

Mr. Lowry. Yes, sir.

The Chairman. Has he maintained an active interest in your work?

Mr. Lowry. Yes, sir.

The Chairman. Would you say it is an intelligent and efficient interest?

Mr. Lowry. Yes, sir.

The Chairman. Have there been any complaints so far as you know by anybody as to Mr. Arnold's relations to your work in that office.

Mr. Lowry. I have heard of none, sir.

The Chairman. Any questions, gentlemen?

Senator Hawkes. Mr. Chairman, may I ask a question?



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The Chairman. Yes.

Senator Hawkes. Did Mr. Arnold employ you when you went into the office?

Mr. Lowry. No, sir.

Senator Hawkes. Who did employ you?

Mr. Lowry. Mr. W. A. Thomas.

The Chairman. Do any of the committee members have questions?

Senator Connally. Identify Mr. Thomas, he was the former Collector?

Mr. Lowry. Yes, sir.

Senator Connally. Not that this is important or pertinent, but he was the brother-in-law of the former House Speaker Rayburn?

Mr. Lowry. Yes, sir.

Senator Connally. He was Collector for a good many years.

Mr. Lowry. Until his death last February, I believe.

Senator Barkley. Did you go in as a result of Civil Service examination?

Mr. Lowry. No, sir.

Senator Barkley. What capacity did you go in as?

Mr. Lowry. Zone Deputy Collector.

Senator Barkley. At that time they were not under Civil Service?

Mr. Lowry. No, sir.

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Senator Barkley. You are not under Civil Service now?

Mr. Lowry. Yes, sir.

The Chairman. How many men work under you?

Mr. Lowry. Approximately 210 at the present time.

The Chairman. Are they all engaged in the type of work you mentioned, or are they diverted into answering the telephone part of the time?

Mr. Lowry. Yes, sir; that is part of their duties. These men are maintained in 16 offices throughout the entire district and that is a part of their duty to answer inquiries by telephone or in person with the taxpaying public.

The Chairman. To investigate tax returns?

Mr. Lowry. Yes, sir.

Senator Lucas. How large is that territory?

Mr. Lowry. 144 counties in North Texas.

Senator Lucas. One-half of the State practically?

Mr. Lowry. Yes, sir.

The Chairman. Senator O'Daniel?

Senator O'Daniel. Were you asked to get any letters of recommendation from any one in order to get your job there?

Mr. Lowry. When I was originally employed?

Senator O'Daniel. When you were originally employed.

Mr. Lowry. Yes, sir.

Senator O'Daniel. Were you asked to get letters from Senators?

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Mr. Lowry. I got a letter from Senator Morris Shepard.

Senator O'Daniel. Anybody else?

Mr. Lowry. No, sir.

Senator O'Daniel. That was what year?

Mr. Lowry. I believe my application was submitted in 1934.

Senator O'Daniel. Are you familiar with all the offices of the Dallas district of the Internal Revenue Department?

Mr. Lowry. No, sir; only the field office.

Senator O'Daniel. Where is that located?

Mr. Lowry. The corner of Harwood and McKinney Avenue.

Senator O'Daniel. And you have 210 employees under you?

Mr. Lowry. Yes, sir.

Senator O'Daniel. Do they keep busy all the time?

Mr. Lowry. I try to keep them all that way, sir.

Senator O'Daniel. Do they keep busy?

Mr. Lowry. Yes, sir.

Senator O'Daniel. They do not loaf around on the job?

Mr. Lowry. It is possible. These men travel throughout the entire district.

Senator O'Daniel. They are not in the office?

Mr. Lowry. No, sir.

Senator O'Daniel. They are traveling men?

Mr. Lowry. Part are and part are not.

Senator O'Daniel. How many are in the office?

Mr. Lowry. Well, we have 66 in the Dallas office, 32 in

elf15 Fort Worth and about 10 each in Amarillo, Lubbock and Wichita Falls.

Senator O'Daniel. You live in Dallas?

Mr. Lowry. Yes, sir.

Senator O'Daniel. Did you ever chekc up on the boys in Fort Worth?

Mr. Lowry. My instructions are to do so once each month, but the large increase in personnel has necessitated that we divide it with the other two assistants and one of the three of us examine those offices every six months.

Senator O'Daniel. You would say that they do not loaf?

Mr. Lowry. I would say our record speaks for itself.

Senator O'Daniel. Are they behind with their work?

Mr. Lowry. Yes, sir.

Senator O'Daniel. How far?

Mr. Lowry. We are completing our work on income tax returns for 1942 and 1943.

Senator O'Daniel. You are behind about four or five years?

Mr. Lowry. Not totally. In examining those returns in many instances they examine up to the current year which would be 1945 now.

Senator O'Daniel. How much revenue do you think was due to the Government if those were audited, or kept up to date?

Mr. Lowry. I could not guess, but I could tell you what

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the figures were for last year.

Senator O'Daniel. What were they?

Mr. Lowry. We had for examination approximately 16,400 individual returns selected for audit of which about 15,000 had been examined with other related returns that arose from the original investigation.

About 17,000 have produced approximately \$4 million in additional income tax.

Senator O'Daniel. What years?

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Mr. Lowry. For the years 1942 and 1943.

Senator O'Daniel. And then you have to audit from then on up?

Mr. Lowry. Yes, sir.

Senator O'Daniel. Have you had any complaints from your employees about inefficiency in the office?

Mr. Lowry. You mean as to me?

Senator O'Daniel. Any of the employees saying they cannot find anything or that everything is in confusion?

Mr. Lowry. In regard to what?

Senator O'Daniel. Are the files in good shape?

Mr. Lowry. Yes, generally speaking.

Senator O'Daniel. Generally speaking?

Mr. Lowry. Yes, sir.

Senator O'Daniel. Have any of the employees complained to you about Mr. Arnold?

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Mr. Lowry. No, sir.

Senator O'Daniel. Any mistreatment of Mr. Arnold or inconsideration of Mr. Arnold?

Mr. Lowry. None of the men under my supervision.

Senator O'Daniel. Have you ever heard any of them brag on him?

Mr. Lowry. A good many of them.

Senator O'Daniel. You owe your job to Mr. Arnold?

Mr. Lowry. No, sir.

Senator O'Daniel. Who is your boss?

Mr. Lowry. Mr. John B. Dunlap.

Senator O'Daniel. Did you ever have any contacts with Mr. Arnold, does he keep regular office hours?

Mr. Lowry. I could not say particularly, Senator, our offices have been for some years in the same building.

I usually call him on the telephone.

Senator O'Daniel. Do you know anything about his race horses?

The Chairman. Do you have any difficulty getting in touch with Mr. Arnold when you try to get in touch with him?

Mr. Lowry. No.

Senator O'Daniel. Do you know about his race horses?

Mr. Lowry. I am not familiar with his personal activities.

The Chairman. Senator, may I ask whether his race horse activities go to his qualifications? Are you going to make a

elf18 point to that effect?

Senator O'Daniel. Mr. Chairman, that is a point for the committee to decide.

Senator Connally. I think we will develop from the testimony later on that his race horses consist of one old brood mare out in the pasture somewhere out in the country.

The Chairman. Without ruling on it at all, would you make the point that there is a moral issue involved as regards race horses?

Senator O'Daniel. When jockeys are hired in the office to look after this one old broken-down brood mare.

The Chairman. You will produce testimony to that effect?

Senator O'Daniel. Testimony or letters.

The Chairman. You will offer something to the committee on that?

Senator O'Daniel. Yes. There has been quite a bit of information offered on that. Those who have written in, I think it is my duty to bring it out to the committee.

The Chairman. Has the committee given you full opportunity to bring the witnesses here?

Senator O'Daniel. What was that?

The Chairman. Has the committee given you full opportunity to bring the witnesses here?

Senator O'Daniel. The time was rather short, Mr. Chairman. I got as many of them as I could, but I have a whole lot more

elf19 that would like to come.

The Chairman. Have you any complaints to make in that regard?

Senator O'Daniel. I have no complaints to make in any way, shape or form, no, sir.

The Chairman. Senator Hawkes?

Senator Hawkes. I have no questions.

The Chairman. Any further questions, gentlemen?

Senator Barkley. I would like to ask whether the 210, approximately, which you mentioned a moment ago, include the field force or Dallas and Fort Worth?

Mr. Lowry. Zone Deputies. Our authorized personnel is 224, but the average is around that.

The Chairman. Senator O'Daniel, do you see any reason why this witness should not be excused?

Senator O'Daniel. No, sir.

The Chairman. The witness may be excused.

John W. Dunlap of the Bureau of Internal Revenue, Dallas, Texas.

Mr. Dunlap. Sir, that is John B. Dunlap.



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TESTIMONY OF JOHN B. DUNLAP, ASSISTANT  
TO THE COLLECTOR, BUREAU OF INTERNAL  
REVENUE, DALLAS, TEXAS.

The Chairman. Will you raise your right hand, please?

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, so help you God?

Mr. Dunlap. I do.

The Chairman. What is your position in the Bureau of Internal Revenue in Dallas?

Mr. Dunlap. Assistant to the Collector.

The Chairman. How long have you been Assistant to the Collector?

Mr. Dunlap. Since I returned from the Army last October.

The Chairman. Prior to the time you left for the Army, how long?

Mr. Dunlap. Six years.

The Chairman. You are acquainted with Mr. Arnold?

Mr. Dunlap. Yes, sir.

The Chairman. You are in more or less constant contact with him?

Mr. Dunlap. Constantly.

The Chairman. Will you please give us your opinion of his abilities?

Mr. Dunlap. I do not think you could find a better qualified man.

The Chairman. Go ahead and tell us what you know about him

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and give us what information you have as to his qualifications, his diligence, his general ability and devotion to duty.

Mr. Dunlap. Mr. Arnold and I have worked throughout the years. When he was in the Income Tax Division, the Miscellaneous Division, I was Chief Federal Deputy and of course I handled the cases referred to me from those divisions and it required quite often that we have consultations together and I think they were handled in a very intelligent and understanding manner.

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Since my return, why, we have worked very closely together and his attitude toward the entire office has been most attentive and he is taking a definite interest in the personnel problems and has certainly worked along the lines for the betterment of the office in every way.

The Chairman. Is he a diligent man who attends to his business?

Mr. Dunlap. Yes, sir.

The Chairman. Is he on the job?

Mr. Dunlap. Yes, sir.

The Chairman. Any questions?

Senator Connally. I have one or two questions.

The Chairman. Go ahead, sir.

Senator Connally. Mr. Dunlap, you have been rather prominent in the Bureau for a good many years?

Mr. Dunlap. I have been very active, if that is what the

Senator means.

Senator Connally. Yes. You had the same position that this other gentlemen that just testified now holds?

Mr. Dunlap. That is right.

Senator Connally. Were you in the Bureau when Mr. Arnold came in?

Mr. Dunlap. I believe Mr. Arnold came into the office a short time before I did, Senator.

Senator Connally. During that entire period, about 14 years excepting for four years in the Army, have you been rather intimate with him and observed his work?

Mr. Dunlap. Yes, sir. In an office of that size you have to be that way.

Senator Connally. What part of Texas are you from?

Mr. Dunlap. Dallas.

Senator Connally. Did you not come from somewhere else?

Mr. Dunlap. No, sir; I was born there and raised there.

Senator Connally. I thought you originated in a small town in Texas where I know some people by that name.

Mr. Dunlap. We did live in a small town for a short time when I was a boy.

Senator Lucas. What branch were you in while you were in the Army?

Mr. Dunlap. In the Cavalry, sir, but I wound up with the General Staff Corps.

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Senator Butler. Mr. Dunlap, what is the total personnel of the Dallas office in all personnel?

Mr. Dunlap. The total personnel and we are having a terrible time keeping it up to that on account of the men coming back from the war and wanting to go elsewhere, is about 600 people, including field deputies and all other types of employees.

Now, that is our permanent personnel. During this rush period when all the returns are being filed, we are authorized 76 more who work just a few months.

The Chairman. Have you ever made any studies on the comparative statistics of the workload that you handle in the Dallas office by the number of people that you mentioned as against the workload of other districts?

Mr. Dunlap. Yes, sir.

The Chairman. How do you stand in that respect?

Mr. Dunlap. I cannot see much difference, Senator. I spent some time in the office of the Collector in Los Angeles a while back and I also worked in the office in Illinois and I am familiar with the work in the Austin office and the Oklahoma office, and we are just about the same shape.

The Chairman. You are getting just about the same work out of that office as others are getting from other offices?

Mr. Dunlap. Yes, sir. I think really we are getting a little more.

The Chairman. Are you in the same office building with

elf24. Mr. Arnold?

Mr. Dunlap. Oh, yes.

The Chairman. When you try to get in touch with him, is he available?

Mr. Dunlap. Yes, sir. I always know when he is planning to leave the office, he lets me know about it.

The Chairman. Do Mr. Arnold's duties require him to travel?

Mr. Dunlap. For the good of the State he should visit the field offices as often as his duties will permit.

The Chairman. Has he made visits?

Mr. Dunlap. He has, he has made four or five trips from the office to make visits.

The Chairman. Senator O'Daniel?

Senator O'Daniel. When did you start in in the service?

Mr. Dunlap. October 1940. You mean the military service?

Senator O'Daniel. Service in the Internal Revenue Department.

Mr. Dunlap. August 1, 1933.

Senator O'Daniel. When you came back from service, that was when?

Mr. Dunlap. October 1945.

Senator O'Daniel. Did you go with this group with Mr. Arnold over to Hot Springs on March 28 and 29?

Mr. Dunlap. No, sir. I would not have gone if I had been

elf25

invited. That is my personal view because I just do not like horses.

Senator O'Daniel. Is horse racing illegal in Texas?

Mr. Dunlap. It is.

Sir, I am a Cavalry man and my interest in horses is entirely different.

Senator O'Daniel. You realize that the horses do not do the betting, but it is the people that do the betting.

Mr. Dunlap. Yes, sir.

Senator O'Daniel. In this department of yours, you hold schools of instruction?

Mr. Dunlap. Yes, sir.

Senator O'Daniel. How often do you hold schools of instruction?

Mr. Dunlap. We hold them as often as we can and the Bureau directs that we hold them as often as we can, and we have three instructors who devote their entire time to instruction of field deputies.

Senator O'Daniel. You think that is a good thing?

Mr. Dunlap. Yes, sir.

Senator O'Daniel. How many people work under you?

Mr. Dunlap. Well, the whole organization.

Senator O'Daniel. Have you noticed any inefficiency or any loafing in any of the offices?

Mr. Dunlap. No, sir.

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Senator O'Daniel. You have not seen it?

Mr. Dunlap. I will say this, and of course it is true of every office. You have an organization of that size and there are going to be one or two bad apples in the barrel, and we have two or three people who are getting very close to retirement age. They do the best they can, but they cannot carry the load of the 22-year-old boy.

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Senator Lucas. Well, loafing is kind of an American custom, is it not?

Mr. Dunlap. Yes, sir.

Senator O'Daniel. Their loafing is a kind of handicap?

Mr. Dunlap. They work according to their age.

Senator O'Daniel. You would say you have an efficient office force?

Mr. Dunlap. I would say that it is as efficient as any other collectors office I have ever been in and I have been in quite a few.

Senator O'Daniel. Why are they so far behind in the auditing of these reports?

Mr. Dunlap. I will tell you why and even though I was not there when it happened, when I returned I went to the bottom of the thing to have everything brought up as nearly current as possible.

We were required, those who were there at the time, to ship all of their 1943 income tax returns to the New York

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processing division for processing up there, associating information slips with them and what not, without our taking any action on them.

They were shipped there and then 1944 came along and those returns also under Bureau direction were shipped to New York, not only from our office, but from every office in the United States.

It later developed as Mr. Hankins said, this was an experimental program under the law. It later developed that the processing division was not going to be able to handle those returns as they thought, so they returned them all to the Collectors Offices and all of those returns hit not only the Dallas office, but all others, in the latter part of 1944 and they had to be entirely processed from that date on, so we lost the time that we would normally have worked on them.

We would normally have worked on those returns when we got them, but they hit us in a tremendous shipment and they had to be sorted back into order.

Senator O'Daniel. If you had not been ordered to ship them to New York, is it your contention they could have been kept up to date?

Mr. Dunlap. Right, that is my opinion. That is the reason why not only this office, but every Collectors office in the United States is behind.

Senator O'Daniel. What would be your reason for your request-



elf28 ing 200 employees?

Mr. Dunlap. We did not ask for that many permanent employees.

Senator O'Daniel. How many did you ask for?

Mr. Dunlap. And we asked for them under certain assumptions.

Senator O'Daniel. How many did you ask for?

The Chairman. State the assumptions under which you asked for them.

Mr. Dunlap. We asked for a total of 123 additional employees, the bulk of whom were to be income tax auditors and the assumptions under which we asked for them, contained in our cover letter under this much discussed letter is as follows: you will bear in mind Mr. Hankins said he was not going to specify how this was to be done, because he was interested in the shape the work was in, as well as he was in the contents.

"Since no survey of this kind can have definite meaning --"

The Chairman. Who is saying this?

Mr. Dunlap. I am writing this to Mr. Hankins and, by the way, gentlemen, I wrote this report and I was the chairman of that committee.

The Chairman. What is the date?

Mr. Dunlap. July 15, 1946.

The letter reads as follows:

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"As requested in your personal letter dated May 28, 1946, this office submits herewith its analysis of its need for personnel for the fiscal year 1948.

Since no survey of this kind can have definite meaning unless it be based on certain specific premises, we have based our analysis on the following assumptions:

One, that there will be no fundamental changes in legislation;

Two, that there will be no fundamental changes in existing collection methods;

Three, that Collectors offices will continue to make refunds as at present;

Four, that the Bureau desires the work in Collectors offices to be kept on a current basis; and

Five, that the Bureau desires all Collectors offices to perform a 100 per cent job according to its standards, and aspect by the public, prior to the enactment of the current tax payment act; and

Six, that Congress and the Commissioner desire employees to take their authorized leave.

Our analysis was made in two phases. First, each division was required to prepare and submit to the committee its analysis of its work volume, productive ability and employee requirements for current efficient operations. Second, these division analyses were

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studied, discussed, and combined by the committee into one report from which all duplications of employee functions were eliminated, and which presents a composite picture of the needs of this office under the assumptions used.

The number of returns to be handled by this office was based upon the number received during the present fiscal year, reduced by the reduction in income tax returns expected under provisions of the Second Revenue Act of 1945, and increased by an estimated number to cover the rapidly growing population in this district. Our estimate is believed conservative.

Attached to this letter, as correlary information used in compiling our report, are three exhibits, as follows:

Exhibit 'A' - Analysis of time and employee requirements for income tax refunding operations.

Exhibit 'B' - Copy of our personal letter to the Assistant Commissioner, dated June 26, 1946.

Exhibit 'C' - Recapitulation of accumulated work from prior years now on hand in this office which must be completed at the earliest possible date."

Based on those assumptions we requested 123 employees.

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Senator O'Daniel. What about the temporary employees?

Mr. Dunlap. Those are on every year to take care of the tremendous numbers of returns that hit our offices. They have to be used on bookkeeping and listing machines. We have to make those refunds as rapidly as we can. We have to make them before June 30th. It takes 200 people alone three weeks to open the mail in our office the morning after March 15.

Senator George. What is the volume of your returns in your office?

Mr. Dunlap. Well, handling all returns in that office will amount to slightly in excess of two million a year.

Senator O'Daniel. Do you contend that your report asked for only 143 employees.

Mr. Dunlap. No, sir, I said that our report asked for 123 permanent employees and that it asked for an allowance of 109 temporary employees during that rush period.

Senator O'Daniel. That is 232 total, is it not?

Mr. Dunlap. Yes, sir.

Senator O'Daniel. Inasmuch as your system has been changed and your reports are not shipped out to New York, you testified that the work could be done by your office?

Mr. Dunlap. I feel quite certain that that is the reason why the bureau has not used these reports and the system has been changed.

Senator O'Daniel. When was it changed?

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Mr. Dunlap. I am not certain, Senator; sometime during the year.

Senator O'Daniel. Prior to July 15?

Mr. Dunlap. No, I would not say so.

Senator O'Daniel. You mean they were not shipped back to you before July 15?

Mr. Dunlap. Sir?

Senator O'Daniel. These reports were not shipped back to you before July 15, 1946?

Mr. Dunlap. Do not misunderstand me, they were shipped back to us, 1944 and 1945, but the bureau said they would see if we could do the refunding work as an experiment.

Senator O'Daniel. You thought you could do it?

Mr. Dunlap. We were not asked. The bureau decided to try that to see if our office could do it.

Senator Barkley. You proceeded to try to do it?

Mr. Dunlap. We not only did it but found out if they let us keep the returns instead of sending them to New York, it would not require as much work.

Senator Barkley. As a matter of fact, the payment of refunds has been accelerated by the fact that this processing work going on, the collector is now authorized to make the refunds?

Mr. Dunlap. Greatly, sir.

Senator O'Daniel. I am trying to bring out that a lot of

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these reports had been shipped back to Dallas before July 15 and according to Mr. Arnold they were processing.

Mr. Dunlap. That is right.

Senator O'Daniel. Then on July 15 you asked for 232 employees additional?

Mr. Dunlap. Senator, what I am trying to say is that we base this report on the premise that we were experimenting last year to see if we could do this work. We had not been told that we could continue to do it in succeeding years, so we said in our assumptions that if we were to continue these things and if we were to go about this business, the main premise is this: If you want a 100 percent job done.

Mr. Nunan, before the Appropriations Committee the other day, told the Senators that with our present help we could not hope to audit over three percent of the income tax returns that have been filed.

Senator Barkley. Three percent altogether or three percent per year?

Mr. Dunlap. Three percent per year, sir.

The Chairman. May I interrupt to ask whether under 100 percent efficiency approach to the job, would you audit every single return or make cursory examinations?

Mr. Dunlap. Some of them do not require anything but a cursory examination.

The Chairman. As a matter of fact, you weed out a vast

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number of cases where the result could not be important, whether you did or did not audit, and you put your attention to those cases that might yield some pay dirt if you did audit, is that not correct.

Mr. Dunlap. That is right.

The Chairman. Go ahead, Senator.

Senator O'Daniel. That is all I have.

The Chairman. Any further questions?

Senator Lucas. You thought that was a pretty good report that you made to the Bureau of Internal Revenue?

Mr. Dunlap. This report?

Senator Lucas. Yes, sir.

Mr. Dunlap. I merely put the thing in final form. The chief of every division in our office made an analysis of his division and they all submitted those analyses to me and then we met as a committee and discussed it for two or three weeks and finally put it in finished form in which you find it here.

It was our consensus that the more things we listed in those premises, then that is what it would take. We are a little bit prejudiced if you ask us whether we like it.

The Chairman. If there are no further questions, the witness may be excused.

J. P. Rice of Dallas, Texas?

Come forward, please.

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TESTIMONY OF J. P. RICE, ATTORNEY,  
DALLAS, TEXAS

The Chairman. Raise your right hand please.

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, so help you God?

Mr. Rice. I do.

The Chairman. Be seated, please.

Are you a resident of Dallas, Texas?

Mr. Rice. Yes, sir.

The Chairman. How long have you resided there?

Mr. Rice. Since 1931.

The Chairman. How long have you been acquainted with Herbert E. Arnold?

Mr. Rice. Since 1932.

The Chairman. What has been the nature of your acquaintance with him?

Mr. Rice. Fairly cursory; I practice law there.

The Chairman. Have you practiced law during your matured life in Dallas?

Mr. Rice. Yes, sir.

The Chairman. Tell us the nature of your contacts with Mr. Arnold.

Mr. Rice. They have not been very frequent, Senator, because I have been rather busy and I do not practice tax law so I just see him once or twice a year socially.

The Chairman. You get around pretty well in Dallas?



Mr. Rice. Yes, sir, sometimes.

The Chairman. You have a rather wide acquaintance in Dallas?

Mr. Rice. I think I know a good many folks.

The Chairman. Do you belong to any organizations or civic organizations of which Mr. Arnold is a member?

Mr. Rice. None that he is a member of.

The Chairman. What opportunity have you had to form an opinion of Mr. Arnold's qualifications.

Mr. Rice. I knew Mr. Arnold and I knew his father in Greenville, and I have talked to a good many people that have had dealings with him.

The Chairman. Do you know people that have had dealings with Mr. Arnold in Texas?

Mr. Rice. I certainly do.

The Chairman. Will you state what his reputation is?

Mr. Rice. I think it is excellent.

The Chairman. Do any of the committee members wish to ask any questions?

Senator O'Daniel?

Senator O'Daniel. You said you did not have many dealings with Mr. Arnold?

Mr. Rice. No, sir, I have not practiced in tax law.

Senator O'Daniel. Do you practice any political law with him?

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Mr. Rice. No.

Senator O'Daniel. Are you Senator Connally's campaign manager?

Mr. Rice. I served once.

Senator O'Daniel. Did you get rewarded by your brother being given a judgeship?

Mr. Rice. That did not help me. Of course I was proud of it and I appreciated it very much indeed.

Senator O'Daniel. Whenever there are appointments down there in Texas, are you consulted before they are made?

Mr. Rice. No, sir.

If Senator Connally wishes to get some information about a man on the ground, he can write me a letter and I will do the best I can for him.

Senator O'Daniel. Did you ever do anything for him in that line without his writing?

Mr. Rice. Yes, sir.

Senator O'Daniel. Are you not known as the front man for the new deal down there?

Mr. Rice. If I was I did not know anything about it.

Senator Barkley. You would not know anything about being the backstairs man, would you?

Mr. Rice. No, sir.

Senator O'Daniel. Were you the backstairs man to help the new deal out?

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Mr. Rice. No, sir.

As I said, I do not go into tax practice.

Senator O'Daniel. What do you know about the office?

Mr. Rice. I did not say I knew anything about the office.

Senator O'Daniel. What do you know about Mr. Arnold?

Mr. Rice. I have known him since 1932.

Senator O'Daniel. What do you know about the operation of the Internal Revenue Bureau?

Mr. Rice. Very little.

Senator O'Daniel. Do you know whether it is operated efficiently?

Mr. Rice. No, sir, except what people told me when his appointment came up and people said that that was the best appointment made in a long time and they were glad to see the appointment made on an efficiency basis.

Senator O'Daniel. Do you know anything about the race horses?

Mr. Rice. He told me he paid \$35 for an old mare.

Senator O'Daniel. How long did he keep that old mare?

Mr. Rice. I just heard about it since you raised the question.

Senator O'Daniel. That is all you know about it? Do you know about his going to the races in Arkansas and taking the office force with him?

Mr. Rice. I very seldom go to horse races and I do not

think I have been to one for five or six years. I like them.

Senator O'Daniel. Do you know any organizations or lodges that he belongs to?

Mr. Rice. No.

Senator O'Daniel. You do not belong to any lodge that he is also a member of?

Mr. Rice. I do not remember if he is. I belong to the Methodist Church and I do not go too often.

Senator O'Daniel. Have you seen him in the Methodist Church?

Mr. Rice. I have not seen him.

Senator O'Daniel. Do you know any of the employees down in the department?

Mr. Rice. Yes, sir.

Senator O'Daniel. How many?

Mr. Rice. It would be a guess. I know Mr. Dunlap and I have met Mr. Lowry. I know Mr. Fannin, and I imagine 10 or 12 more.

I may know more than that but I just do not recollect at the present time.

Senator O'Daniel. All that you know, are they perfectly satisfied with the efficiency and ability and honesty and integrity of Mr. Arnold?

Mr. Rice. Yes, sir.

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Senator O'Daniel. Did you ever hear anything said against him?

Mr. Rice. I never did, Senator. In fact, I do not think anybody can truthfully say anything against the man. I thought he was always a highclass man.

Senator O'Daniel. Do you think he is an indispensable man?

Mr. Rice. I never regarded any man as indispensable.

Senator O'Daniel. You are a new dealer, are you not?

Mr. Rice. I am a Democrat and I might say I am a Tom Connally Democrat, and I am proud of it.

Senator O'Daniel. That is the reason why you are in favor of Mr. Arnold, because he recommended him?

Mr. Rice. That would be enough for me to be in favor of him, and I happen to know him personally.

Senator Barkley. That old \$35 mare, is that the average standard of race horses in Texas?

Mr. Rice. No, sir.

Senator Connally. Mr. Rice, Senator O'Daniel asked you something about your brother's appointment as District Judge and that I recommended him or something?

Mr. Rice. Yes, sir.

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Senator Connally. Is it not a fact that both you and your brother were from my home town and I have known both of you since you were small boys?

Mr. Rice. Yes, sir.

Senator Connally. Is it not true that at the time your brother was Chief Justice of the Court of Appeals in Waco and that he was a World War I veteran and that he practiced law for many years successfully in Marlin, Texas, and was heavily endorsed by the Bar all over Texas?

Mr. Rice. Yes, sir.

Senator Connally. And as to whether that was the basis of his getting this position?

Mr. Rice. That is the way I understand it.

Senator O'Daniel. This boyhood companionship, did you think that qualified him for the judgeship?

Mr. Rice. I do not understand.

Senator O'Daniel. The qualifications of Mr. Connally having known you since you were this high, and you and your brother and family living in Marlin, does that qualify Mr. Rice for a position of high trust in the State of Texas?

The Chairman. Senator, I suggest that the judge is not on trial here.

Senator O'Daniel. I just asked a question in regard to something that was brought up here.

The Chairman. Any further questions? Any reason for

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the witness to remain?

You are excused, and thank you for coming.

Joe L. Hill of Washington, D. C.

Will you come forward, please?

TESTIMONY OF JOE L. HILL, ATTORNEY,  
WASHINGTON, D. C.

The Chairman. Will you raise your right hand, please?

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, so help you God?

Mr. Hill. I do.

The Chairman. What is your business, please?

Mr. Hill. I am a lawyer.

The Chairman. How long have you been a lawyer?

Mr. Hill. Twenty years.

The Chairman. Where have you practiced during that time?

Mr. Hill. Henderson, Texas, Dallas, Texas, and Austin, Texas.

The Chairman. Where are you practicing at this time?

Mr. Hill. I am not practicing at this time, I am vice president of an oil company.

The Chairman. When did you stop your practice?

Mr. Hill. Well, about six years ago.

The Chairman. Where were you practicing at that time?

Mr. Hill. Henderson, Texas.

The Chairman. What have been your contacts with Mr. Arnold,

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the nominee before us?

Mr. Hill. I lived in that district. Mr. Thomas who was the Collector of the Dallas district was a very old and close friend of mine and had been over a period of years and I frequently went in and paid courtesy calls to Mr. Thomas.

We were close personal friends and had been since 1925 and I knew him and I knew Mr. Arnold. I met Mr. Arnold through Mr. Thomas who called him his right hand man.

The Chairman. Did you have opportunity to observe whether or not Mr. Arnold was a competent man?

Mr. Hill. Of course my opinion of his competency was based on the opinion given me by Mr. Thomas who was the employer and for whom I had a high regard.

The Chairman. What was Mr. Thomas' opinion?

Mr. Hill. Very high.

The Chairman. Have you had an opportunity to ascertain the reputation of Mr. Arnold in Dallas a man of integrity and a man of good character?

Mr. Hill. That is the reputation as I know it.

The Chairman. I ask you whether you have had opportunity to ascertain?

Mr. Hill. Yes, because my business association is in Dallas.

Of course, the immediate cause of comment arose over the fact that Mr. Thomas was in ill health and subsequently died.



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Then Mr. Arnold was appointed in his place. Those with whom I came in contact approved him as one who had risen in the ranks and knew the business of the agency from top to bottom.

The Chairman. The appointment was subject to rather wide comment?

Mr. Hill. Yes, sir; it was.

The Chairman. You participated in conversations and heard opinions?

Mr. Hill. That is right.

The Chairman. Do you belong to any organization with Mr. Arnold?

Mr. Hill. Well, I guess the Democratic Party is the only thing we enjoy in common.

The Chairman. That is an unfortunately large organization.

Mr. Hill. I do not know whether you would call it unfortunate.

The Chairman. Any questions?

Senator Connally. Mr. Hill, you were former State Senator in Texas?

Mr. Hill. I was in the State Senate for eight years.

Senator O'Daniel. I also wish to make a statement, Mr. Chairman, that I did not ask Mr. Hill to come here but I am certainly glad that he came because down in Texas I think that most of the citizens in Texas will realize now that Mr. Arnold is not qualified for this position by the type of witnesses that

elf5 are appearing here.

The Chairman. What is the meaning of that, Senator?

Senator O'Daniel. I mean that I am glad that Mr. Hill came here because of his reputation in Texas.

c20 I think that it is good for it because I am trying to get this confirmation denied and I am just glad that he came.

The Chairman. Are you attacking the reputation of Mr. Hill?

Senator O'Daniel. I am relating to you as I see it the opinion of Mr. Hill as I see it.

The Chairman. You have an opportunity to impeach the witness as you will. I do not believe, Mr. Senator, that any witness coming before this committee should be attacked by generalities of that kind.

Senator O'Daniel. I am not attacking the witness in any way. I am just thankful that he is here and I do not intend to question him in any way because I might be disowned by many people if I did.

The Chairman. I would entertain the motion to strike that. I think, Senator, that you have gone beyond a limit of fair comment in this case.

Senator Connally. Mr. Chairman, I think the matter ought to be stricken, the whole reference. I do not think it is proper to have it in the hearing, but it will be carried in the Press.

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The Chairman. If the Senator desires to question the witness, he may do so.

Senator O'Daniel. I do not intend to have any intercourse with him, whatever.

Senator Connally. I do not suppose that it would do any good to strike this from the record, because the Press will carry it.

The Chairman. I imagine so.

Mr. Hill. Under the circumstances I think I should have some privilege of speaking in my behalf.

The Chairman. You have the fullest privilege.

Mr. Hill. I did not come here to testify at the request of Senator Connally, I did not come here at the request of Mr. Arnold. I met my good friend Senator Connally at a luncheon and I heard him discussing the matter with my good friend Judge Powell from Austin, and I told Senator Connally that I knew Mr. Arnold and that I regarded him highly and that I wanted to come over here and testify in his behalf if Senator Connally thought that it would add anything to Mr. Arnold's case, and Senator Connally asked me to come and I am here by reason of that fact.

I was elected to the State Senate in 1934 and served in that body for four years. I am not surprised at Senator O'Daniel's personal dislike which is apparent for me.

Senator O'Daniel was elected Governor of Texas and I voted

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for him along with many others in Texas when he was overwhelmingly elected.

I was then a member of the Senate.

I made very bitter attacks on Senator O'Daniel when he was then Governor of Texas as a member of the Senate because it was my contention that he had repudiated and renounced the pledges that he had made to the people of Texas.

My differences with him were of a political nature.

Senator Connally. Mr. Chairman, I hope this matter will not degenerate.

The Chairman. We are not going to rehash previous political history. The witness has the opportunity, however, to speak for himself in explaining.

Mr. Hill. If Senator O'Daniel has ever found anything wrong with my character, he never developed those facts as an ardent advocate in the Senate.

The people of Texas up to this moment have never found anything wrong with my character and the character of my public service and I think it was manifestly unfair because I did not come up here to make any attack against Senator O'Daniel.

It is manifestly unfair of him to use innuendo that the people of Texas look at me as a bad character when he cannot point, nor can any other man, to anything where my character has been blackened and if he has anything to say specifically I would be glad to answer him.

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The Chairman. Senator O'Daniel had the opportunity to question you and personally I regret the innuendo.

I will call Sidney J. Adams of Dallas, Texas.

TESTIMONY OF SIDNEY J. ADAMS, ACCOUNTANT,  
DALLAS, TEXAS.

The Chairman. Will you raise your right hand, please?

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, so help you God?

Mr. Adams. I do.

The Chairman. Your occupation?

Mr. Adams. Accountant.

The Chairman. How long have you been an accountant?

Mr. Adams. I have been an accountant all my life, since I got out of school. I am a public accountant now.

The Chairman. Where do you practice your profession?

Mr. Adams. Dallas.

The Chairman. How long have you been practicing?

Mr. Adams. Ten years.

The Chairman. Do you get a license in Texas?

Mr. Adams. Yes, sir.

The Chairman. Are you licensed?

Mr. Adams. Yes, sir.

The Chairman. How long have you been licensed?

Mr. Adams. It has only been in operation for two years.

The Chairman. You engage in general practice or tax work

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or anything in particular?

Mr. Adams. Tax work.

The Chairman. Do you know Mr. Arnold?

Mr. Adams. Yes, sir.

The Chairman. How long have you known him?

Mr. Adams. Twenty years.

The Chairman. Will you please state what your contacts with him have been?

Mr. Adams. When I personally knew him we were students in the University of Texas, in the School of Business Administration.

The Chairman. When was that?

Mr. Adams. We graduated in 1925.

The Chairman. The University of Texas?

Mr. Adams. Yes, sir; School of Business Administration. Then after we got out of school I went my way and he went his way and I saw him a few times in the meantime but again I came in contact when he came to Dallas to take the job in Dallas.

The Chairman. Will you state the nature of your contacts with him?

Mr. Adams. Since I was an accountant there I ran into him on the street and then I went up and called on him personally and renewed our acquaintance.

The Chairman. Do you practice before that agency?

Mr. Adams. Yes, sir.

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The Chairman. Have you appeared personally before Mr. Arnold in connection with your business?

Mr. Adams. Yes, sir.

The Chairman. I assume you appear before others in that department or bureau?

Mr. Adams. Yes, sir.

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The Chairman. Do you have any contacts with Mr. Arnold outside of the Bureau?

Mr. Adams. I do not know.

The Chairman. Do you have the opportunity to learn what others have of him as to the integrity and qualifications for this office?

Mr. Adams. Yes, sir.

The Chairman. Will you please give us your opinion as to the qualifications for this office, his character and anything else that you think the committee should know?

Mr. Adams. Let me tell you a little incident. About two and a half years ago I went into the office before he became Acting Collector and since he was an accountant and I was an accountant, I presumed we could have a little friendly discussion about accounting in relation to tax matters.

I thought we were having a friendly discussion about the matter and suddenly he interrupted me to say that he did not care to argue with me any more. I did not know we had been arguing. I thought that since I had known him that long I

elf11 could feel free to talk to him. I refrained from talking to him then.

Later on, last spring, just a little before March 15, I went into his office and I had a client to make up his income tax return and this matter, I tried to make a little visit out of it socially, but he did not talk to me.

He appeared to be very nervous and sat there with a cigarette in his fingers and just twitching his ashes and, in other words, did not make me feel free to visit.

I had an extension in my hand, a normal extension. I told him that this was unusual for me to do to file an application for extension on filing an income tax return. He did not make much comment on that and did not make any comment of any nature and I finally handed it to him and he flicked it on the desk.

The Chairman. As a normal matter do they channel those things through subordinates?

Mr. Adams. I do not know. I thought he might tell me at that time what to do about it, but I was a little disappointed.

The Chairman. Did you have an appointment when you saw him?

Mr. Adams. No, I did not, I just walked into the office.

The Chairman. Proceed, please.

Tell us whatever else you know about him.

Mr. Adams. In the last ten years of my contacts with the



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office I have gotten friendly with eight or nine or probably ten of the employees in the main office and I know some of the employees in the field offices, but my contacts with them are only when they come to check a return.

The Chairman. Have you had any difficulties with the office?

Mr. Adams. My difficulties have been with the procedure in the office. What I mean by that is that we have had several occasions to arise where something has come up that I tried to handle it correctly and it turned out to be that the office there had been bawled up, you might say, and this caused quite a bit of confusion.

The Chairman. You had a difference of opinion as to the correct way of doing it?

Mr. Adams. I mean the mechanics of it. For instance, in making up a Social Security Report, I had one account down there of an individual and this individual died and then his brother was made his administrator of estate and his brother served as his administrator about a year and then it became a voluntary partnership and the brother died shortly after that and then it became another partnership.

In other words, that ownership changed hands about four times in two years.

The Chairman. What happened in the office to which you objected?

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Mr. Adams. They kept telling us and writing us letters that we had not made our Social Security out properly.

The Chairman. Did Mr. Arnold have anything to do with this personally?

Mr. Adams. No, sir.

The Chairman. Proceed.

Mr. Adams. In any of my contacts with these people, as I have said, I have learned a few of the people and I naturally go to that same person in that department when I have something to come up and the attitude of those employees has not been very respectful toward Mr. Arnold.

Some of them ridicule him and make fun of him. They do not have respect for him and they tell me he is not a man that you --

Senator Connally. I think he ought to say who these people are.

The Chairman. Let him finish his answer first.

Mr. Adams. It just seems to me that the attitude of the employees is not what it should be. They make me feel that they are not happy.

The Chairman. Have you had opportunity to reach an opinion as to the general reputation in Dallas of Mr. Arnold for integrity?

Mr. Adams. No, I have not.

The Chairman. Who are the employees who are disrespectful

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of Mr. Arnold?

Mr. Adams. There are various employees who work there.

The Chairman. I should rephrase that to say, who do not hold him in the respect that a man of that position should be held in?

Mr. Adams. I did not understand you.

The Chairman. Who are the employees that you do not believe have the respect for the man that employees in that position should have.

Mr. Adams. I do not feel I could give their names. Some of them I know their name sand others I do not have their name.

The Chairman. Do you claim that that is a matter of confidence?

Mr. Adams. Yes, sir; it is.

I have discussed it with those employees and I said I would not disclose their identity.

The Chairman. Do you claim it is a matter of professional confidence?

Mr. Adams. Yes, sir.

The Chairman. Have those employees retained you in any matters?

Mr. Adams. Not at all.

The Chairman. So that the professional confidence does not arise out of your retainer by them?

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Mr. Adams. No, sir; not at all.

The Chairman. Have you any theory out of which that confidence does arise?

Mr. Adams. Well, sir, in our conferences or conversations we just get to talking and sometimes something comes out about the office routine and some of them are very free to talk to me about their attitude to Mr. Arnold.

The Chairman. Does the confidence arise in connection with business that you go there to see these people about in behalf of your clients?

Mr. Adams. That is right.

The Chairman. And could the things they tell you bear on the business that you go there in behalf of your clients?

Mr. Adams. Just a personal matter.

The Chairman. The Chair will have to rule that you are not covered by confidence, so we will have to ask you to give the names.

Mr. Adams. I can recall only one name and that was Miss Byrns.

The Chairman. State the full name.

Mr. Adams. A lady by the name of Byrns, B-y-r-n-s.

The Chairman. What is her position there?

Mr. Adams. I do not know her title there, she works in the Social Security department.

The Chairman. Is that one of the offices under Mr.

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elf16 Arnold?

Mr. Adams. Yes, sir.

The Chairman. Please state the nature of your conversation, what you stated and what she stated.

Mr. Adams. I cannot do that, I do not recall.

The Chairman. Give the best impression you can.

Mr. Adams. We just get to talking about something. I was trying to just convey to you the feeling that I had in talking to those people.

It is just general conversation.

The Chairman. You are not prepared to say what the lady said that was derogatory to Mr. Arnold?

Mr. Adams. No, I cannot give you the words.

The Chairman. I am not asking you for the exact words. Give us the best recollection of the substance of what the lady said that in your opinion reflects adversely on Mr. Arnold.

Mr. Adams. She said that the office was in confusion and that it started up ahead; that is the general attitude she gave me.

The Chairman. Did she refer to Mr. Arnold specifically?

Mr. Adams. No, sir.

The Chairman. She was referring to the general work conditions and the status of them in the office?

Mr. Adams. Yes, sir.

The Chairman. Can you name anyone else with whom you have

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had conversation to this effect?

Mr. Adams. No, sir.

The Chairman. I believe you said seven or eight at the outset of your testimony?

Mr. Adams. I do not know what the people's names are.

The Chairman. In the conduct of your business in the office, with whom would you talk normally in getting your business processed?

Mr. Adams. I might talk to different ones.

The Chairman. Do you remember the names of anyone in the office other than the lady with whom you have ever spoken?

Mr. Adams. No, I do not.

The Chairman. Any questions?

Senator Connally. I have one or two questions.

The Chairman. Proceed, sir.

Senator Connally. You have a sort of personal animosity against Mr. Arnold?

Mr. Adams. No, I do not, and I want to state that when I started I intended to mention that I do not have any personal feeling.

Senator Connally. Are you licensed to practice before the Internal Revenue Bureau?

Mr. Adams. No, sir; I am not licensed to practice before the Treasury Department.

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Senator Connally. Is that the reason that you feel this way to Mr. Arnold?

Mr. Adams. No, that is not it because I have not even made application for it.

Senator Connally. You have not a certificate?

Mr. Adams. No, sir.

Senator Lucas. How long have you known Mr. Arnold?

Mr. Adams. Since 1925, about 20 years.

Senator Lucas. Have you had business dealings with him of any kind?

Mr. Adams. Except in the collectors office there.

Senator Lucas. Did you ever have any trouble with him of any kind?

Mr. Adams. No, sir; in fact I would not object to him at all if I thought the office was running smoothly down there.

The Chairman. Any further questions?

Senator Lucas. Has he treated you with courtesy?

Mr. Adams. He did not the two times I went in there, I did not think I was treated with courtesy.

Senator Lucas. What was your business when you went in there?

Mr. Adams. The first time I went in there was a social visit and to discuss this accounting problem that I had in my mind to see what his reaction to it was.

Senator Lucas. The second time?

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Mr. Adams. Was when I went in to ask for an extension of thirty days for filing a return.

Senator Lucas. Did you get it?

Mr. Adams. Yes, sir; it was granted by mail.

Senator Lucas. Do I understand that you have had any work in the Bureau at all?

Mr. Adams. Not in the Bureau, no.

Senator Lucas. You have never had any work in the Bureau?

Mr. Adams. No, I am independent.

Senator Lucas. You say you did not think you were treated right the first occasion?

Mr. Adams. I did not think that was the proper respect to a person that came to his office when he dismissed me and said he did not care to argue.

Senator Lucas. You were discussing accounting?

Mr. Adams. I had a technique of accounting.

Senator Lucas. And you wanted to talk about that and you did not get very satisfactory information from Mr. Arnold as a result of this conversation.

Mr. Adams. I was appreciating his ideas about it and suddenly he said, "I do not care to argue with you any more."

The word "argument" surprised me.

Senator Lucas. You did not like that word?

Mr. Adams. It did not seem applicable to the situation.

Senator Lucas. You have felt that way toward him since?



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Mr. Adams. I thought knowing him for a few years that it was not the right attitude.

Senator Connally. You got an extension?

Mr. Adams. Yes, sir.

Senator O'Daniel. Senator, I would like to introduce a copy of a letter that I received the other day from Mr. Sidney J. Adams in which he gives his reasons for opposing the confirmation of Mr. Arnold and in presenting this letter I would like to state to the Chairman of the Committee that his first objection --

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The Chairman. Senator, let me suggest that you submit the letter to Mr. Adams and we will get this properly identified.

Senator O'Daniel. Yes, Mr. Chairman. I just want to say that I had discussed this matter with Mr. Adams, and told him the committee had indicated to me they did not want to consider that should come into the matter, that part that he is an infidel.

The Chairman. Let me see the letter, please.

Senator O'Daniel. That is the copy of the letter and I have the original here.

Senator Connally. Since the witness is present, I do not see what service the letter would be.

The Chairman. I hand you a letter addressed to Senator O'Daniel which purports to have your signature. Is that your letter?

Mr. Adams. Yes, sir.

The Chairman. All right, Senator O'Daniel.

Senator O'Daniel. The letter is dated January 18, 1947.

I would like to ask the witness whether he wrote that to anybody else in Washington.

Mr. Adams. Yes, I did.

Senator O'Daniel. Who to?

Mr. Adams. Senator Connally.

Senator O'Daniel. Do you have a copy of that letter?

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The Chairman. Before we get off on that letter, get this in the record.

Senator O'Daniel. I introduce the letter into the record.

The Chairman. Do you wish to read it?

Senator O'Daniel. Yes.

The letter is dated January 18, 1947.

"Dear Senator O'Daniel:

As a private citizen I would like to protest the appointment of Herbert E. Arnold as Collector of Internal Revenue in Dallas.

I have known Mr. Arnold for some time and studied business administration in the University of Texas with him.

My reasons are as follows:

First, he is an infidel and scoffs at religion.

Second, he does not command the respect of his employees and business associates.

Third, he lacks administrative and executive ability to hold the position of Collector.

And he does not possess the character that such a position should exemplify.

Respectfully submitted,

Sidney J. Adams."

I asked the witness whether he had written to anyone else

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and his answer was he wrote to Senator Connally.

Do you have a copy of that letter?

Mr. Adams. It is the exact letter I wrote to you.

Senator O'Daniel. Did you receive an answer from Senator Connally?

Mr. Adams. Yes, sir.

Senator O'Daniel. Do you have it with you?

Senator Connally. I do not see what that has to do with the matter. There is no objection to it.

Senator O'Daniel. If there is no objection, I would like him to read this letter to show that he has pursued this diligently.

The Chairman. Before we get on, I would like to ask about the other letter.

The first statement that you make is that the appointee or nominee is an infidel and scoffs at religion. Do you agree that that does not enter into these proceedings?

Mr. Adams. Yes, sir.

The Chairman. You say he is not respected by his employees, and I assume you arrive at that from your contacts with the employees, and you say he lacks executive ability to hold the position of Collector.

Mr. Adams. That is in line with what I have already testified to.

The Chairman. Then you say he lacks poise, dignity and

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character that such a position should exemplify.

Have you anything to say as to the character of the man in addition to what you have stated?

Mr. Adams. No.

Senator O'Daniel. Would you kindly read the letter that you received from Mr. Connally.

Mr. Adams. Senator Connally writes me on January 22, 1947, as follows:

"Dear Mr. Adams:

I have your letter of the 18th instant with respect to Mr. Herbert Arnold being appointed Collector of Revenue. The point should have been argued before the President appointed him.

Very truly yours,

Tom Connally."

Then he has down at the bottom of the page in writing the following:

"If you care to file formal written charges

I am sure the Committee will consider them."

Senator O'Daniel. Then you had no grievance against Mr. Arnold.

Mr. Adams. Not at all.

Senator O'Daniel. But through your acquaintance of around twenty years you were convinced that he was not the proper man and not qualified to hold a position as head of

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cyl 24 the Internal Revenue?

Mr. Adams. I got that impression within the last two years.

Senator O'Daniel. You were of that conclusion when you wrote the letter to the Senators?

Mr. Adams. Yes, sir.

Senator O'Daniel. Have you ever worked in the Bureau?

Mr. Adams. No, sir.

Senator O'Daniel. Had you applied for a job there?

Mr. Adams. No, sir.

Senator O'Daniel. Had you ever considered employment there?

Mr. Adams. He asked me whether I would consider employment with the Department and I told him I did not think so.

Senator O'Daniel. Then your interest in this matter is that the welfare of the people will be best served without him?

Mr. Adams. That is my feeling.

Senator O'Daniel. Did you think of the punishment that might be inflicted upon you for giving this testimony?

Mr. Adams. I did.

The Chairman. Senator, there is no assumption that punishment will be inflicted.

Senator O'Daniel. Did you think that punishment might be inflicted if your testimony were given?

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Mr. Adams. Yes, I did.

Senator O'Daniel. Did you discuss that subject with anyone?

Mr. Adams. I discussed it with my friends just to get their reaction.

Senator O'Daniel. Yet you went ahead and sent the letter?

Mr. Adams. Yes, sir.

Senator O'Daniel. And you are here to object to the confirmation of Mr. Arnold?

Mr. Adams. Yes, sir.

The Chairman. Have you any facts to indicate that punishment will be inflicted on you?

Mr. Adams. No, I have not.

Senator Connally. May I ask a question?

Senator O'Daniel. I am temporarily through.

The Chairman. Proceed Senator.

Senator Connally. You were basing your opposition and your judgment that he was discourteous with you in the two interviews because he said he did not want to argue with you any further?

Mr. Adams. That was the beginning of it.

Senator Connally. In the meantime, Mr. Arnold had shown consideration to you by asking if you might want a job in the office?

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Mr. Adams. That was before this time.

Senator Connally. Did that indicate a lack of cordiality?

Mr. Adams. That indicated an act of friendship but that was before this came up.

The Chairman. Anything else, gentlemen?

Senator O'Daniel. I have nothing more.

The Chairman. You are excused for the time being, and may be called later.

Is W. Edmund Parker in the room?



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TESTIMONY OF W. EDMUND PARKER,  
BUILDER, DALLAS, TEXAS.

The Chairman. Raise your right hand, please.

Do you solemnly swear that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth: So Help You God?

Mr. Parker. I do.

The Chairman. What is your business in Dallas, Texas?

Mr. Parker. At the present time I am a builder.

The Chairman. How long have you been a builder there?

Mr. Parker. A year and a half.

The Chairman. A general contractor?

Mr. Parker. I am building for myself principally.

The Chairman. What kind of building?

Mr. Parker. Residential building.

The Chairman. What was your business before that?

Mr. Parker. I operated the Dallas Business Reporter, a commercial reporting business.

The Chairman. That is a credit reporting business?

Mr. Parker. Information service.

The Chairman. How long did you do that?

Mr. Parker. About twelve years.

The Chairman. Prior to that time, what was your business?

Mr. Parker. I was employed by the morning paper.

The Chairman. Where were you born?

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Mr. Parker. Sanford, Florida.

The Chairman. How long have you been in Texas?

Mr. Parker. Four years.

The Chairman. What has been your connection with Mr. Arnold?

Mr. Parker. Only that I worked for the Bureau a few months from 1943 to 1944.

The Chairman. You were in the Bureau at that time?

Mr. Parker. Yes, sir.

The Chairman. What work were you doing?

Mr. Parker. Working under Mr. Arnold's direction.

The Chairman. What kind of work?

Mr. Parker. Primarily clerical work.

The Chairman. What kind of clerical work, keeping books, examining returns, or just what were you doing?

Mr. Parker. Most of the work was in preliminary examination which the returns get when they reach the cashier's office.

The Chairman. Give us the period again.

Mr. Parker. November 1, 1943, until February 1, 1944.

The Chairman. Approximately three months?

Mr. Parker. Three or four months.

The Chairman. That has been your principal contact with Mr. Arnold?

Mr. Parker. Yes, I worked under his direction. They call

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him "chief of chiefs," I believe.

The Chairman. Did you work under him immediately or did you have others above you?

Mr. Parker. Part of the time was under his immediate direction.

He had charge of the supervisors who had charge of me.

The Chairman. Would you deal with the supervisors or would you deal with him?

Mr. Parker. With both.

The Chairman. Have you had any other opportunity to form an opinion as to the integrity and qualifications of Mr. Arnold for this job?

Mr. Parker. Only what a few people have told me. I have not discussed it with very many people.

The Chairman. Please give us your opinion of Mr. Arnold's integrity and his qualifications for the office.

Mr. Parker. He is not the type of man that I would hire for the job if you want my personal opinion.

The Chairman. We want your personal opinion.

Mr. Parker. I have heard that he gambles, and I feel that a man should not gamble and handle the government's money.

The Chairman. You heard that he gambles?

Mr. Parker. I heard it.

The Chairman. Have you discussed it with anyone?

Mr. Parker. Possibly one or two people. I do not remember

af-11

even who told me but someone told me.

The Chairman. Exactly what did they say about it.

Mr. Parker. Some mention of the fact that he gambled was made.

The Chairman. Did they say he shoots craps or plays poker, or horse racing, or what?

Mr. Parker. I do not remember.

25 The Chairman. Did you say that perhaps two or three people mentioned that to you?

Mr. Parker. I think it was only one person. I do not remember who that was.

The Chairman. You could not name him?

Mr. Parker. No, sir.

The Chairman. It was not specified as to the type of gambling or the amounts involved or anything of that kind?

Mr. Parker. No, sir.

The Chairman. Did you get the impression that it was important gambling or perhaps a penny-ante game.

Mr. Parker. I was not interested to the point of asking.

The Chairman. What else have you to say?

Mr. Parker. I do not think he is an executive for this job, for the important office of this type.

The Chairman. What facts do you have to support that?

Mr. Parker. Only the observations which I made when I was employed at the Bureau. I was one of the temporary force.

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Mr. Dunlap testified a while ago that the Bureau had gotten behind with auditing returns. At the time I was there the auditors told me they were between two and a half and three years behind on the auditing and that was three years ago.

The Chairman. Did you see anything that could be done and did you suggest it to Mr. Arnold to improve the efficiency of the office?

Mr. Parker. I suggested nothing to him.

He took a group of us to the basement and deputy collectors and clerks forced us to carry furniture all over the building and down the street for a day or two at a time. Of course Mr. Arnold had general charge of me, I was sent out to do personal things for some of the men, and I suppose the order came from Mr. Arnold because he had charge of the office.

At one time I was sent out with an armful of presents to have them Christmas wrapped. I suppose that was on his orders.

The Chairman. An armful of presents?

Mr. Parker. Yes, sir.

The Chairman. Who was giving the presents and to whom were they given?

Mr. Parker. I do not know. They belonged to one of the executives in the office.

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The Chairman. Your two points are that first that you had to do roustabout work, and second, that you had to wrap Christmas packages for somebody?

Mr. Parker. I did not wrap them but took them to a store to do that.

The Chairman. Any other incidents of that kind?

Mr. Parker. One of his supervisors had two others, a deputy collector and myself, carry an armful of packages down from the Collector's office down to his car, and they were apparently not too busy to have an employee do their personal chores for them.

The Chairman. Were you idle part of the time?

Mr. Parker. No, sir, we had more work than we could do at the time but they would take time out and have us carry some of the furniture around and carry it down the street and force us to do manual labor.

The Chairman. This is the office furniture?

Mr. Parker. Yes, sir.

The Chairman. Moving it from one part of the Bureau to another part of the Bureau?

Mr. Parker. It belonged to the Bureau but they had others to do that work.

The Chairman. Any other incidents?

Mr. Parker. I have nothing more than I have mentioned.

The Chairman. Any questions, gentlemen?

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Senator Connally. I have a question.

The Chairman. Proceed, sir.

Senator Connally. You stated to the committee fully and completely your reasons for thinking that he is not the man for the job?

Mr. Parker. Yes, sir.

Senator Connally. I want to ask you some questions about your own service.

This was all service, your service, when Mr. Thomas was the Collector?

Mr. Parker. Yes, sir, but I was working under Mr. Arnold.

Senator Connally. I understand, but it was under Mr. Thomas' administration. You worked in the office from December of 1943 to February of 1944, is that right?

Mr. Parker. Yes, sir.

Senator Connally. Why did you quit.

Mr. Parker. I quit voluntarily when I was forced to do so much of this labor which was a violation of the Civil Service rules.

Senator Connally. Did you have any trouble with the application that you filled out for the job and were you not dismissed on that account?

Mr. Parker. Mr. Thomas asked me to stay and offered me a better job, but I would not work with Mr. Arnold.

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Senator Connally. Answer my question, did you have some trouble?

Mr. Parker. There was no trouble whatever, the record there shows it was voluntary on my part.

Senator Connally. I am talking about the application when you got the job.

Did you have trouble in that you made false statements?

Mr. Parker. I made no false statements but the personnel officers told me that if I wanted a promotion in the Bureau that I would have to get a letter from you.

Senator Connally. From me?

Mr. Parker. Yes, sir, I was told that by Mrs. Miller of the personnel office of the Bureau. They said she would consider me for promotion if I got a letter from you.

Senator Connally. As a matter of fact, I have very little influence with that office.

Mr. Parker. You are Senator Connally, are you not?

Senator Connally. Yes.

Mr. Parker. That is what she told me.

Senator Connally. As a matter of fact, this was under Mr. Thomas.

Then, you were not discharged?

Mr. Parker. It was a verbal resignation. There was no question about my ability.

Senator Connally. I am asking you whether you were dis-



af-16 charged.

Mr. Parker. I was not discharged. The records of the Bureau will show that I was not discharged.

The Chairman. Was it indicated that you would be?

Mr. Parker. No, sir.

26 The Chairman. Were you asked to resign?

Mr. Parker. I will tell you the circumstances.

About 12 of us were called in to the Collector's Office about January of 1944. We had been there on a temporary basis and Mr. Thomas, the Collector, came in and made a little talk and in the talk he said, "Now, you people have been selected as the best and we are giving you permanent jobs but in return for the permanent jobs I expect you to vote for the party that keeps me in office."

I did not say anything, no one said anything. Two weeks later I resigned voluntarily as their records will show.

The Chairman. My goodness, are you a Texas Republican.

Mr. Parker. Frankly, I think Senator Connally's leadership is leading this country to bankruptcy, and I have felt that way a long time.

The Chairman. Then you were not asked to resign?

Mr. Parker. No, sir.

The Chairman. It was not intimated that you resign?

Mr. Parker. No, sir.

The Chairman. You quit on a voluntary basis?

Mr. Parker. Yes, sir.

Senator Connally. On account of my running the country into bankruptcy?

Mr. Parker. You had nothing to do with my leaving the office.

Senator Connally. I am awfully sorry.

Did you work at one time for the Federal Reserve Bank?

Mr. Parker. Yes, sir, I worked there at one time for about two months.

Senator Connally. How did you leave that organization, was it a voluntary resignation?

Mr. Parker. No, there was a thief in the organization by the name of Metcalf. We were in the bond department and I exposed him as a thief and left the organization.

Senator Connally. You mean the bank let you out?

Mr. Parker. We were both discharged because of a personal matter which came up over his having a police record.

Senator Connally. You worked for the OPA a while, too?

Mr. Parker. Yes, sir, I worked for the OPA for about two months, and that was the only federal office I held other than that with the Internal Revenue Bureau.

Senator Connally. You resigned thereafter two or three months?

Mr. Parker. Yes, sir, I resigned.

Senator Connally. That is all I have.

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Senator Lucas. Did Senator Connally get you the job?

Mr. Parker. Mr. Connally never did get me a job.

Senator Lucas. Did he get you fired?

Mr. Parker. No, sir.

Why do you not ask me the circumstances concerning that, Senator Connally?

Senator Connally. Tell them.

The Chairman. We want the circumstances as to why you left the job.

If you have any circumstances as to why you left the job, tell us.

Mr. Parker. The OPA job?

The Chairman. Yes.

Mr. Parker. I was second in charge of the OPA distribution center and they had been losing a good many of the ration coupons and I, of course, began an investigation to find out why they were losing them as soon as I began working there. They were sending them out by registered mail and not getting them to the boards and I was a little too aggressive and was told not to investigate.

I told Max McCullough that I was investigating it, and that conditions were rotten out there, is the way I described it, on account of the loss of coupons, and that I did not care to have anything to do with an organization that was in that condition.

The Chairman. Did you resign?

Mr. Parker. Yes, sir, they would not use my resignation and I left.

The Chairman. You mean they put you in the position of being fired?

Mr. Parker. No, sir.

The Chairman. Did they intimate that you should be fired?

Mr. Parker. They told me I was frozen in the job, but I was not frozen, I quit.

The FBI investigated this matter and this man that was involved, was transferred. He should have been fired but Max McCullough promoted him to a \$5,000 a year job, and I had some information about the misappropriation of a little money in the office which I gave the FBI.

The Chairman. Have you anything else to testify to as far as the qualifications of Mr. Arnold are concerned?

Mr. Parker. No, sir, except that I have known him for some time and I do not feel that he has or is of the caliber to have that office.

The Chairman. Any questions?

Senator Connally. You worked for the Federal Reserve Bank only a few months?

Mr. Parker. Yes, sir.

Senator Connally. And for the Internal Revenue Bureau for

two or three months?

Mr. Parker. That is correct.

Senator Connally. Then for the OPA two or three months?

Mr. Parker. That is correct.

Senator O'Daniel. Has experience taught you that you might have had longer jobs had you written to Mr. Connally?

The Chairman. I think that is questionable.

Senator O'Daniel. Did anybody in those departments ask you to write to Senator O'Daniel.

Mr. Parker. No, sir.

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Senator O'Daniel. He wrote me a letter a few days ago and I would like to read it.

The Chairman. Is it a letter that you wrote or one that he wrote to you?

Senator O'Daniel. I never wrote him a letter, this is one he wrote to me.

Senator Hawkes. You were not before the subcommittee and you brought it up here?

Senator O'Daniel. The other day, when we had the meeting of the committee.

The Chairman. I hand you a letter carrying the date of January 19, 1947, addressed to Senator O'Daniel purporting to bear the signature of W. Edmund Parker and I will ask you whether that is your signature?

Mr. Parker. Yes, sir.

The Chairman. You recognize the letter?

Mr. Parker. Yes, sir; I wrote that letter.

The Chairman. Do you wish to read the letter?

Senator O'Daniel. Yes, sir.

"Dear Senator O'Daniel:

I would like to have you register my opposition to the appointment of Mr. Arnold to the position of Collector of Internal Revenue for the Second District of Texas. My objection is based on the manner in which the office was conducted under the late W. A. Thomas and Mr. Arnold

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and the two chief assistants. Inasmuch as the two worked closely together, I feel that they are responsible for the violations of law and regulation which occurred. Therefore, I charge them jointly with the following:

First, dictating to the employees as to how they must vote in the national elections to retain their jobs, second, sending employees to do their shopping for them and using workers to do manual labor such as uncrating furniture and carting furniture about the building and down the streets while negro porters stood by idle.

I happen to have firsthand information of the above and do not feel that a man should be allowed to retain Federal office under these circumstances.

Please let me know if you want further details on this matter.

With best wishes I am,

Very truly yours,

W. Edmund Parker."

The Chairman. Did Mr. Arnold ever dictate to you how you should vote?

Mr. Parker. No, sir; not Mr. Arnold, but Mr. Thomas.

The Chairman. Have you anything to say in addition to what you have said as to the personal shopping and roustabout

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business?

Mr. Parker. No, sir; I have not, I think that covers it except they did send others on the same missions.

Senator Lucas. May I inquire as to how you happen to write that letter?

Mr. Parker. I sat down to a typewriter and wrote it.

Senator Lucas. What caused you to write it?

Mr. Parker. I did not intend to appear as a witness, I intended to register my opposition only.

Senator Lucas. Who did you talk to about it before you wrote it?

Mr. Parker. I talked to no one.

Senator Lucas. You just took it upon yourself?

Mr. Parker. Yes, sir.

Senator Lucas. That is based on your own experience that you had with this gentleman for the three months that you were in the office under Mr. Thomas?

Mr. Parker. That is correct.

Senator Lucas. Did you have any personal conversations with this man?

Mr. Parker. Oh, yes; I have talked to him numerous times. He took us to the basement and had us do this work.

Senator Lucas. What kind of work?

Mr. Parker. The uncrating of furniture and moving it around.



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Senator Lucas. That was office furniture, was it not?

Mr. Parker. Yes.

Senator Lucas. You did not seriously object to doing work of that kind, did you?

Mr. Parker. I had no objection to doing it, but the Civil Service rules do not call for that.

Senator Lucas. Is that the primary reason, because you had to uncrate this furniture, is that why you feel this way about Mr. Arnold?

Mr. Parker. I have no bad feeling against Mr. Arnold today, I talked to him in the hall. I think he is too light for the job.

Senator Lucas. Give me your reasons.

Mr. Parker. I have given a dozen.

Senator Lucas. You talked about uncrating furniture and his gambling, but what is it about his business or educational background that would not fit him for this job?

Mr. Parker. I think that the Collectors office there has been run by a clique since 1932 and they want to perpetuate themselves in the office.

Senator Lucas. Is that the real basis for your opposition to this man, because the clique that is in there, is that the same as your feeling in regard to the remark you made about Senator Connally, that you do not like the way he is doing, because you think he is running the country into bankruptcy?

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Mr. Parker. I have a right to say that.

Senator Lucas. Is that the real opposition to this man?

Mr. Parker. No, sir; my opposition to this man is that I think a higher caliber executive would make some necessary changes in that department.

Senator Lucas. He made a change.

Mr. Parker. He has not in there.

Senator Lucas. You were there for three months?

Mr. Parker. He did not change me, I changed myself.

I would like to give you an example, if you care to question me further as to why.

One of the leading tax attorneys of North Texas told me about two years ago that he had a case against the Government.

I do not know how important it was, but he claims to be very close to certain men in the Bureau and he said that he went over and had them give him some Government papers concerning this case which he took over and had photostatic copies made of them.

Senator Lucas. Who is the man?

Mr. Parker. Is that necessary?

Senator Lucas. Yes.

Mr. Parker. George Atkinson, and he is one of the leading tax attorneys in Northern Texas.

The Chairman. In what town?

Mr. Parker. Dallas.

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The Chairman. Go ahead.

Mr. Parker. When conditions like that exist, I do not approve.

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Senator Lucas. What did Atkinson contend that this man that is up for confirmation did?

Mr. Parker. I do not know whether Mr. Arnold authorized it, but someone in the Bureau authorized it which I thought was a practice that should not exist.

Mr. Arnold, of course, had charge of that and he had charge of those men and he did have at the time and I think someone has been very lax.

Senator Lucas. Tell us what that laxity is.

Mr. Parker. I just explained. I just told you the irregularity in the Bureau that shows laxity.

Senator Lucas. What is it?

Mr. Parker. I told you that I had one that I would like to give as an example.

Senator Hawkes. Maybe I can help you a little bit.

You mean in giving out papers that should not be given out, you do not approve?

Mr. Parker. They would not give papers to Senator O'Daniel.

Senator Lucas. Did this fellow Atkinson say who the individual was in the office that did that?

Mr. Parker. No.

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Senator Lucas. Did he attach any significance to it?

Mr. Parker. He was bragging about it.

Senator Lucas. I have heard many people bragging about things.

The Chairman. Any further questions?

Senator O'Daniel. Outside of the office, do you know anything about the character of Mr. Arnold, or his habits?

Mr. Parker. Nothing firsthand, Senator, other than what I have discussed as to his qualifications.

Senator O'Daniel. You do not know anything about his associates, or his affiliations?

Mr. Parker. No, sir.

Senator O'Daniel. Have you heard anybody else mention them?

Mr. Parker. Only the statement I made some time ago that I had heard someone say that he gambled, but I cannot vouch for that.

Senator Connally. One person.

Senator O'Daniel. You did not know about his going to the horse races?

Mr. Parker. I have had no contact with the Bureau recently.

Senator O'Daniel. You know that he was the owner of a race horse?

Mr. Parker. I did not know that until today.

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Senator O'Daniel. Does he observe regular office hours?

Mr. Parker. At the time I was there I can say that most of the officials insisted on office hours for minor employees if any of them wandered off during the way.

Senator O'Daniel. They followed the example of the officials?

Mr. Parker. The new people did not because they were under iron discipline while they were there.

Senator O'Daniel. What was the condition as regards loafing on the job?

Mr. Parker. In the division I was in, Senator, there was little loafing.

Senator O'Daniel. There was loafing?

Mr. Parker. Not very much. I worked there during the tax period.

The Chairman. Keep your voice up.

Senator O'Daniel. Was the work kept up or was it behind and in confusion?

Mr. Parker. It was in confusion but they were about three years behind in auditing returns.

Senator O'Daniel. Did they have any difficulty when they tried to find these returns when someone would write in?

Mr. Parker. Yes, sir; there were some lost returns that I do not think were ever found, as I understood it.

Senator O'Daniel. How many?

Mr. Parker. Some of the older employees told me.

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Senator O'Daniel. Quite a few?

Mr. Parker. Only a guess, sir.

The Chairman. You have no personal knowledge?

Mr. Parker. No, sir.

Senator O'Daniel. That was gossip around the office and there was confusion and lost documents?

Mr. Parker. The older employees said that, sir.

Senator O'Daniel. This was at the time Mr. Arnold was in charge?

Mr. Parker. He was chief of chiefs.

The Chairman. Any further questions?

Senator O'Daniel. I would like to have the witness remain today.

The Chairman. The witness is excused subject to further call.

The committee will be in recess until 3 o'clock this afternoon.

(Whereupon, at 2 o'clock, p.m., the committee recessed, to reconvene at 3 o'clock, p.m., of the same day.)

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## AFTERNOON SESSION

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The committee reconvened at 3 o'clock p.m., upon the expiration of the recess.

The Chairman. Is I. W. Walls in the room?

Senator Connally. Mr. Chairman, I do not want to interrupt but I have a witness here who just happened to be here in town. He wants to go back tonight. Mr. Erhard, if we could handle him. He is a character witness and will not take long.

Senator O'Daniel. While we are on that subject, those two witnesses, Mr. Adams and Mr. Parker want to get back, too.

The Chairman. Does anyone here wish to ask Mr. Adams and Mr. Parker any further questions?

Senator George. I do not.

The Chairman. You may be excused, gentlemen.

TESTIMONY OF JOHN ERHARD,  
DALLAS, TEXAS.

The Chairman. Will you raise your right hand and be sworn, please. Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Erhard. I do.

The Chairman. Will you state your full name?

Mr. Erhard. John Erhard. E-r-h-a-r-d.

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The Chairman. Where do you live?

Mr. Erhard. In Dallas, Texas.

The Chairman. What is your business?

Mr. Erhard. I am a lawyer.

The Chairman. How long have you been a lawyer?

Mr. Erhard. About 25 years.

The Chairman. Have you practiced all of that time in Dallas?

Mr. Erhard. Yes, sir.

The Chairman. Do you follow any particular line of practice?

Mr. Erhard. My practice is simple except in some instances in tax fraud suits in the Federal Court.

The Chairman. Are you by yourself or are you a member of the firm?

Mr. Erhard. I have some men with me but I have a firm of my own.

The Chairman. Have you had contact with Mr. Herbert E. Arnold, the nominee we are considering here?

Mr. Erhard. I have.

The Chairman. Would you mind stating what those contacts have been?

Mr. Erhard. Those contacts have extended over a period of some ten or twelve years. They began around 1935 when for several years thereafter I tried all the civil suits of the United States in the Dallas Division in the Northern District



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of Texas including miscellaneous taxes and other suits of a nature brought by the Government or defended by the Government.

The Chairman. I assume that at that time you were in the Federal District Attorney's office.

Mr. Erhard. Assistant United States Attorney.

The Chairman. Do you mind stating what your position is?

Mr. Erhard. I was Assistant United States Attorney in charge of several matters under United States jurisdiction.

The Chairman. How long were you in that office?

Mr. Erhard. Several years.

The Chairman. Go ahead.

Mr. Erhard. At that time the office was under administration of Mr. Thomas, and Mr. Arnold was one of the men in the office. I do not know the different positions he held but I knew him as one of the men in the Tax Collector's office.

The Chairman. You were trying tax cases?

Mr. Erhard. Trying tax cases and trying miscellaneous civil suits.

The Chairman. Go ahead.

Mr. Erhard. So, since my term with the Government I have been on the other side, represented private litigants in matters sometimes affecting taxes where I have had some contact with the collector's office.

That is in general the nature of my experience over these years with Mr. Arnold and with other men in that office.

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The Chairman. You have seen him on many occasions?

Mr. Erhard. Yes, on many occasions.

The Chairman. Have you had occasion to consult with him on tax matters?

Mr. Erhard. Yes, sir; and particularly with other men in the organization.

The Chairman. Principally while you were officially connected with the Government or both?

Mr. Erhard. No, sir. My principal association has been since my resignation as United States Attorney.

The Chairman. You have had occasion to discuss your cases with him?

Mr. Erhard. Yes, sir.

The Chairman. Will you give us your opinion first as to his integrity and then as to his qualifications for this office?

Mr. Erhard. Mr. Chairman, I do not think there is any question on earth about his integrity nor about his qualification for office. I think he has been diligent and under the pressure of the times from which we have all suffered. He has conducted the affairs of his office, according to my observation in the best manner possible.

You will get a hearing when you want it from any of his men -- consideration. They do a lot of unpleasant things. They have the faculty of doing those unpleasant things to taxpayers in a very courteous and gentlemanly manner, so I

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do not think there is any question about his qualifications.

The Chairman. You are of the opinion that he has an efficient grasp of his subject?

Mr. Erhard. I think so.

The Chairman. And administers his office in an efficient manner?

Mr. Erhard. That has been my observation.

The Chairman. What have been your contacts with him outside of your contacts with him as an official?

Mr. Erhard. The only contacts I have had with him have been more or less professionally.

The Chairman. Have you been in position to learn of his general reputation in Dallas?

Mr. Erhard. Yes, sir; I know his general reputation.

The Chairman. Will you give us your opinion as to what his reputation as an honest man is?

Mr. Erhard. It is good.

The Chairman. Are you in a position to say what the general opinion may be as to his efficiency as a collector?

Mr. Erhard. I think it is good.

The Chairman. Have you heard any complaints against him?

Mr. Erhard. No, sir; none at all.

The Chairman. Any questions, gentlemen?

Senator Connally. I was just going to ask him about his service as Assistant United States District Attorney but he

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has already developed that.

Mr. Erhard. Yes, sir.

Senator Connally. You have lived in Dallas all your life?

Mr. Erhard. I have lived there 25 years. I was born and reared in Bell County, famous for many reasons in Texas.

Senator Connally. That is right.

Mr. Erhard. Black Land Belt. I have been in Dallas, through, since my maturity.

Senator George. May I ask you, has Mr. Arnold been fair in his attitude toward both the Government and the taxpayers?

Mr. Erhard. Senator, I think that is the outstanding characteristic of that Dallas office. I said that a while ago, that a taxpayer who goes in there or who goes in with his representatives will find courteous consideration and I think that there are men who want to be fair and who want to be just, and I never hesitate to go to him and frequently I have business or clients have business with him and I will tell them to go on, they do not need the services of a lawyer, go to the Field Division and talk to those men over there, they ought to be approachable and I know many people who have saved attorney's fees just simply by going over and talking to these men about their tax problems.

The Chairman. You have not won all your taxes there, have you?

Mr. Erhard. I have had some very unfortunate experiences,

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Senator, recently, very unfortunate.

The Chairman. Any further questions?

Senator O'Daniel. Did you give the names of the principal clients you represent?

Mr. Erhard. Could I give their names?

Senator O'Daniel. Have you done it?

Mr. Erhard. No, sir; I have not.

Senator O'Daniel. Will you do that, please?

Mr. Erhard. Do you mean on tax matters or general matters?

Senator O'Daniel. General matters and tax matters, both.

The Chairman. Senator O'Daniel, that is sometimes considered a privileged question. The witness can decide himself whether he wants to answer, but in this very district it has been held, I think, that a man need not tell the names of his clients and, of course, I think we appreciate some reason why he should not.

I will leave it to the witness whether he should answer that question.

Mr. Erhard. I would not mind giving the Senator, personally, a statement of any of my business affairs, but if the Senator will excuse me I feel that some of my clients might feel that I was taking undue leave.

Senator O'Daniel. If the Chairman rules that you are not supposed to give the names, of course, I will abide by his decision

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The Chairman. The Senator may examine the witness as to clients that might have bearing on this matter, or if the Senator means that the witness has clients of such reprehensibility that it reflects on his -- impeaches his own testimony, he might inquire as to that, but the Chair will rule that the witness need not list his clients under the present state of examination.

The Senator might ask questions that will make that relevant, but he has not done so as yet.

Senator O'Daniel. He may relate his principal clients if he desires to.

The Chairman. If he desires to.

Senator O'Daniel. Do you desire to?

Mr. Erhard. I feel that I owe to my clients, Senator, some degree of confidence, and I do not think that they would feel that they had any interest in this proceeding up here or would like to be involved in it.

I just think it would be taking a liberty that a lawyer should not assume.

The Chairman. Senator O'Daniel, let me go one step further.

It has been held specifically, -- not uniformly, but it has been held -- that the very existence of a retainer is a confidential matter unless that particular retainer is relevant to the proceedings.

Senator O'Daniel. Well, Mr. Chairman, I do not care to

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argue the question with you but we developed in another case here that a couple of railroad attorneys came up here on passes to try to get a judge appointed for a lifetime and I thought it had some bearing on the case.

The Chairman. You may ask the witness specific questions and we will rule on them as you ask them.

Senator O'Daniel. That is the only question I have to ask.

Mr. Erhard. Let me answer you this way to set your mind at rest: I have no retainers from any public utilities at all, no large corporate interests. I have no passes, no graces on airlines, railroads, steamships, or anything else, and my practice is the sort of practice that I have developed individually over a period of years in my city like a lot of other Texas lawyers that you know.

I wish I had the corporate connections that would let me go around the country as some of my brothers do sometimes, but I am sorry, I do not have it.

The Chairman. Is Mr. Arnold a client of yours?

Mr. Erhard. Only to the extent that I have advised him from time to time, and there is one matter in which I have represented him.

The Chairman. Did you accept a retainer in that matter?

Mr. Erhard. No, sir. That was an estate of a man who died, an oil man, and the family wanted Mr. Arnold to administer

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the estate and I think he made some request to the Commissioner at that time for his permission, and I represented the administration of the estate, but there has been no retainer. As a matter of fact, the fee has not been paid.

The Chairman. Is there a formal legal relationship between you?

Mr. Erhard. No, sir.

The Chairman. He asked you for advice and you gave it gratuitously?

Mr. Erhard. Yes, sir.

The Chairman. Has that occurred in any other instance?

Mr. Erhard. Well, probably so. I do not recall. I have known him over a period of years and I have talked to him as I have talked to any number of men in that office there about different matters.

The Chairman. Do you have a close personal friendship?

Mr. Erhard. Yes, it is. I believe in the boy. I think he is thoroughly honest.

Senator Hawkes. May I ask a question, Mr. Chairman?

The Chairman. Surely.

Senator Hawkes. Did you make any charge for the advice you gave Mr. Arnold in that case?

Mr. Erhard. No, sir.

Senator Hawkes. Was it more than just one piece of advice? Was it a service that ran over any period of time?



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Mr. Erhard. No, sir. Senator, those types of questions that lawyers answer from time to time propounded to them by their friends, and they are gratuitously asked and frequently gratuitously answered.

Senator Hawkes. I have gotten away with that, myself, several times.

Senator O'Daniel. Since you have stated that you do represent or have represented Mr. Arnold, may I be permitted to inquire as to whether or not he has sought any advice from you with reference to his automobile business?

Mr. Erhard. No, sir; I did not know about that.

The Chairman. Are you associated with him in any kind of business?

Mr. Erhard. No, sir.

The Chairman. Have you ever been?

Mr. Erhard. No, sir. No sort of business. No financial interest at all with him.

Senator Hawkes. And no blood relationship?

Mr. Erhard. No, sir.

The Chairman. Any relation by marriage?

Mr. Erhard. None by marriage. None by consanguinity or affinity, Senator.

Senator O'Daniel. Have you represented the OPA?

Mr. Erhard. Senator, I have consistently fought the OPA. I have not believed in its theology or its philosophy and I

have never worked with the OPA.

Senator O'Daniel. Do you know how Mr. Arnold stands on the OPA?

Mr. Erhard. No, sir, I do not.

Senator O'Daniel. You have not discussed that with him?

Mr. Erhard. No, sir, I have not discussed that with him. I recognize the possible contribution the OPA made during the war but I think the United States ought to stay out of business as far as it can.

Senator O'Daniel. You think the rest of it should be abolished then?

Mr. Erhard. I certainly think so. That is a personal opinion that you may not be asking for.

The Chairman. Any other questions?

(No response)

The Chairman. You are excused.

Thank you very much for coming.

Mr. Erhard. Yes, sir.

The Chairman. Is I. W. Walls in the room?

TESTIMONY OF I. W. WALLS

DALLAS, TEXAS

The Chairman. Will you come forward, and raise your right hand, please.

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Walls. I do.

The Chairman. Will you be seated please.

Will you state your full name?

Mr. Walls. I. W. Walls.

The Chairman. Where do you reside?

Mr. Walls. Dallas, Texas.

The Chairman. What is your business?

Mr. Walls. Automobile business.

The Chairman. How long have you been in that business?

Mr. Walls. Since November 1942.

The Chairman. What was your business before then?

Mr. Walls. I was with General Motors for twenty-one years.

The Chairman. In Dallas?

Mr. Walls. I lived in New York a great deal of the time but I covered United States and Canada so I lived in some seventeen or eighteen cities during that period.

Senator Connally. Mr. Chairman, I do not want to object

to that but this witness appeared before the committee once before and went all over this whole matter, as I understand it, and fully testified.

The Chairman. I think, Senator, we better hear him on this testimony.

Senator Connally. I am not objecting but I thought we would save some time.

The Chairman. His testimony, as I understand it, goes to the heart of the real complaint against the nominee, unless you wish to press it further I will rule that he should be heard.

Senator Connally. No. Go ahead. I will not object.

The Chairman. Do you know Mr. Herbert E. Arnold?

Mr. Walls. I have met Mr. Arnold once. This is the second time I have ever seen him in my life, today.

The Chairman. Have you any business relation with him?

Mr. Walls. Only to the extent of selling him an automobile.

The Chairman. Will you tell us about that please?

Mr. Walls. About the middle of December 1946 Mr. Arthur Truitt, who was a witness here today, from Amarillo, Texas, the Buick dealer, told me that Mr. Arnold was desperate for transportation and asked as a personal favor if I would deliver him a new automobile, basing his request on the fact that he was only getting a few cars per month and he knew that I was a much larger dealer and I was getting considerably more

automobiles.

I told Mr. Truitt, as a favor to him, that I would deliver Mr. Arnold an automobile and would call him and advise him accordingly.

The Chairman. I do not want to interrupt you unduly, but what are your relations with Mr. Truitt?

Mr. Walls. Only as a dealer friend. I have only known him some seven or eight months, I presume, or a year possibly.

I happen to be President of the Texas Automobile Dealers Association. I met him in that connection.

So as soon as I finished my conversation by phone with Mr. Truitt, I called Mr. Arnold at his office, told him I had a shipment of cars en route from the factory, that they would be there possibly around the first of the week and that I would deliver him one of those automobiles.

The Chairman. Can you say when that was?

Mr. Walls. Pardon me?

The Chairman. What date was that?

Mr. Walls. Senator, I do not know the exact date. It was prior to the 17th of December. I would say probably maybe the 14th of December because I delivered it about three days after that conversation.

The Chairman. You told Mr. Arnold that you would have a shipment of cars?

Mr. Walls. I had two shipments en route.

The Chairman. And did you tell him that you would let him have one of them?

Mr. Walls. That is right.

The Chairman. Was there any uncertainty about the advice you gave him?

Mr. Walls. Not on my part. I called him of my own volition after I talked to Mr. Truitt.

The Chairman. When did you say the car would come?

Mr. Walls. I told him probably around the first of the week.

The Chairman. The first of the next week?

Mr. Walls. That is right.

The Chairman. Go ahead.

Mr. Walls. Mr. Arnold called me then around the first of the week and wanted to know if the car had arrived and I told him yes, that if he would come down and sign the necessary papers he could have it and if I was not there to see my sales manager. I believe that delivery was made to Mr. Arnold on the 17th of December.

The Chairman. What happened?

Mr. Walls. Shortly after that my sales manager told me that Mr. Arnold had either sold or was endeavoring to sell this Pontiac that he purchased from me to a used car dealer.

The Chairman. The car was delivered to Mr. Arnold.

Mr. Walls. The car was delivered to Mr. Arnold. I was

not there at the time of the delivery that evening. They told me at my office that Mr. Arnold's secretary, I believe, had come after the car that evening. Mr. Arnold did not come personally.

The Chairman. What was the price of the car?

Mr. Walls. I will have to look at my letter. It was \$1958 and some odd cents. I do not have the figure in front of me.

The Chairman. Was the car paid for upon delivery?

Mr. Walls. The car was paid for at the time of delivery.

The Chairman. At the time of delivery?

Mr. Walls. Yes, sir. My sales manager told me that this car that I sold Mr. Arnold was over on the used car lot, that they understood it had been sold, so I had him go over and check the serial number to make absolutely sure to find out that I was dealing with the right pig as far as the car was concerned because there are a lot of Grey Pontiacs or whatever the color of this car might have been.

I found on December 24, Christmas Eve Day, that the car had actually been disposed of to a used car dealer.

The Chairman. What was the dealer's name please?

Mr. Walls. Dick Roberts.

The Chairman. Do you know any more about it?

Mr. Walls. I immediately called Mr. Truitt in Amarillo, the man that asked me to do the personal favor and told him that

Mr. Arnold apparently was not too badly in need of transportation as he had already sold the automobile that I delivered to him that had less than fifty miles on it.

Mr. Truitt was not only embarrassed but he was sore about the thing because he certainly acted in good faith.

He said that he would get in touch with Mr. Arnold and Mr. Arnold would be down and see me that day and straighten the matter out, that he knew that there was a mistake made some place, that it could not be true that he had disposed of this car.

I never saw Mr. Arnold that day although he told me in conference that he would come down to see me but our place was closed and I was not there. I did not hear from Mr. Arnold for at least ten days.

Senator Hawkes. Up to this time you never had seen Mr. Arnold, as I understand your testimony?

Mr. Walls. Never had seen or contacted him.

Senator Hawkes. Never in any way?

Mr. Walls. No.

The Chairman. But you had called him and told him that the car would be available?

Mr. Walls. That is right. So I was disturbed about it. Not that I have any axe to grind with anyone who has been appointed as Collector of Internal Revenue because I have no axe to grind. I am not here as a character witness against



Mr. Arnold because I do not know the man. I have heard rumors but I never paid any attention to them.

The thing I was interested in: if a man who had been appointed by the President of the United States in a position of public trust, would be tempted by selling a scarce commodity for personal gain, that he should be investigated by Congress before he is confirmed.

Obviously I think that anyone should be investigated but it was not anything personal as far as I was concerned because I never heard of Mr. Arnold before.

The Chairman. You had a list of your own people that were waiting for cars?

Mr. Walls. I have a list at the present time, some twelve or fifteen hundred.

The Chairman. I mean at that time?

Mr. Walls. At that time. I always keep a list of from twelve to fifteen hundred because the supply is not sufficient for the demand for automobiles at the present time due to lack of production.

So I called Senator O'Daniel and told him what had happened. I made it clear in my letter that I was not questioning in any way the integrity of Mr. Arnold, but I felt that if a man were tempted to sell a commodity, a scarce commodity, for personal gain, that was being appointed to a position of trust such as a Collector of Internal Revenue, that there certainly

was a possibility that when he attained that position, when the fast boys really started working on him he might get himself in trouble, so that is the reason that I asked, not for myself -- I have never investigated him -- I have paid no attention to any rumors I have heard of Mr. Arnold.

I only had that transaction myself and I felt it was of such seriousness that a man should be investigated before he is confirmed and that was my reason in contacting Senator O'Daniel.

The Chairman. Do you know whether Mr. Arnold has engaged in other similar transactions?

Mr. Walls. About ten days after I had sold this car, Mr. Truitt called me, he happened to be in Dallas, he said that he and Mr. Arnold would like to come down and see me. I told him to come right ahead.

Mr. Arnold -- and I am sure that he will bear out these statements -- said that he had made a mistake, and he was sorry he made it, that he was a little hard up financially and he happened to get a Packard automobile, that the dealer had notified him that he could get a new Packard on the same day that I had notified him about the Pontiac, and that he had taken both automobiles but his wife had recently had a baby and he was hard up financially, so he made a mistake and sold one of the automobiles, and it happened to be mine.

The Chairman. Did he offer to do anything about it?

Mr. Walls. Well, I found out that he did do something about

it. He repurchased the automobile when he learned that I was considerably upset and sore about it, he repurchased the car from a dealer in Houston, Texas, I believe.

He had sold to Mr. Roberts and Mr. Roberts had in turn sold to a used car dealer in Houston, Texas.

The Chairman. I did not get the Roberts connection.

Mr. Walls. Mr. Roberts was the man that he originally sold the Pontiac to. My car -- the Pontiac.

The Chairman. That is the used car dealer?

Mr. Walls. That is right. And Mr. Roberts had in turn sold the automobile to a Mr. Motley, another used car dealer in Houston, Texas.

The Chairman. After the car had been sold the first time would you want the car back? It would then be a secondhand car.

Mr. Walls. I will explain that a little later, if you will let me follow this line.

The Chairman. Go ahead.

Mr. Walls. Then as I understand it Mr. Arnold became somewhat disturbed about it, and repurchased the car from Mr. Motley, or at least got it back from Mr. Motley, at a substantially higher price than he had paid for it.

During this conversation Mr. Arnold asked me if I wanted the car back. I told him I wanted it back if he was going to peddle it again but if he intended to keep the car, that I

made my profit off the transaction and I did not want it.

Mr. Arnold told me that he had no intention of peddling this automobile and as far as I know he still has it today.

The Chairman. As far as you know he still has the car?

Mr. Walls. Yes, sir. I had also heard of a dodge automobile --

Senator Connally. Now, listen, Mr. Chairman. If he says he has heard of something I think we ought to have the facts.

The Chairman. Unless you have some personal knowledge of the matter perhaps --

Mr. Walls. I did not follow Senator Connally's objection.

Senator Connally. You said you had heard so and so.

Mr. Walls. When did I say?

The Chairman. You said you had heard something about a Dodge car. Do you know of your personal knowledge anything about a dodge car?

Mr. Walls. I will say that this transaction was discussed between Mr. Arnold and me in my office during this conference.

The Chairman. Tell us about it.

Mr. Walls. I asked Mr. Arnold if he had had a '46 Dodge. Mr. Arnold told me he had had a '46 Dodge but it had not given satisfaction and that he had also had a wreck with it and that he had sold that automobile.

I also asked Mr. Arnold about a '46 Chevrolet --

Senator Lucas. Before you leave the Dodge, when was it

sold?

Mr. Walls. I never asked him and I do not know, Senator Lucas. I never even investigated or inquired.

The Chairman. Does a '46 Dodge mean one that came out in '46, or was it a car that came out in '45 called a '46?

Mr. Walls. Some cars came out the latter part of '45 that were still called '46 models.

The Chairman. Do you know the earliest time he could have gotten a '46 Dodge?

Mr. Walls. I do not recall when the Dodge came out originally. It was called a '46 Dodge.

The Chairman. Go ahead.

Mr. Walls. I say I do not know who he bought it from or what it was sold for. I made no investigation because I was not interested. I was only interested in my own transaction.

The Chairman. You say there was a conversation with Mr. Arnold and who else?

Mr. Walls. Mr. Truitt from Amarillo.

The Chairman. And what about the Chevrolet? What was that conversation?

Mr. Walls. Mr. Arnold told me that he had purchased a Chevrolet for his father, that the car had been purchased for his father, who recently after getting the automobile had a heart attack, and that the doctor would not permit him

to drive the automobile so he sold that for his father.

The Chairman. When was the Chevrolet transaction?

Mr. Walls. I do not even know that, Senator. I do not know the price paid or the amount it sold for.

Senator Hawkes. Do you know whether it was in 1946?

Mr. Walls. I would not say it was '46. I never asked him dates. He discussed the thing openly and frankly with me so I did not inquire as to the dates.

Senator Lucas. Do I understand that this conversation took place in your office between Mr. Truitt and yourself and Mr. Arnold?

Mr. Walls. That is right.

The Chairman. Any further questions?

Senator Connally. Mr. Walls, when you sold the car of course you made your normal profit out of it?

Mr. Walls. That is right.

Senator Connally. You got paid for it?

Mr. Walls. That is right.

Senator Connally. You parted with title?

Mr. Walls. That is right.

Senator Connally. And there was no OPA regulations at that time?

Mr. Walls. Mr. Arnold violated no law and he committed no crime. I never made those allegations at any time.

Senator Connally. After you got your price for the car

and so on, you had no further claim on the car of any kind, did you?

Mr. Walls. None whatsoever.

Senator Connally. When he asked you if you wanted it back of course you told him that you did not want it back?

Mr. Walls. I told him, Senator, I wanted it back if he intended to peddle it again and he said he did not intend to and I said:

"You paid me the full price for the car, you were given title for it, it is your automobile and I do not want it back if you want to keep it."

Senator Hawkes. May I ask a question, Mr. Chairman?

Do you know whether the Pontiac was registered under the law in Texas between the time Mr. Arnold bought it and the time he sold it to this used car dealer?

Mr. Walls. I do not think that Mr. Arnold had the title to the automobile at the time it was sold because we had to send those papers to Austin. There is quite a delay. He was given a receipt for title and I doubt seriously if he had title to the car when he sold it, Senator, although you will have to ask him. They are mailed to him not to me.

Senator Hawkes. Under your Texas law, would it be legal for anybody to buy a car from you and resell it, having ownership for five days or ten days without registering it?

Mr. Walls. That would be perfectly legal because they can

sign power of attorney in Texas and that would be perfectly legal to do it.

The Chairman. In other words, he could be the owner of the car and run it for fifty miles that you are talking about without any license?

Mr. Walls. That is right. He has a license receipt but he could sell the car before the title came back, because he has this receipt and could give power of attorney to the party purchasing it so there is nothing illegal in that transaction at all.

The Chairman. License does not confer ownership in Texas. License might be an evidence of ownership but it does not confer ownership, is that correct?

Mr. Walls. That is right.

Senator Hawkes. Is a license in Texas called an owner's license?

Mr. Walls. It is called an owner's license. It goes with the automobile. You cannot take a license tag off of one car as you can in some states and transfer it to another car. If you sell a car that license follows the automobile until it expires.

Senator Hawkes. What I am trying to get at is: when a car is registered in Texas and you get what we know is an owner's license in every state I have ever been in, does that signify ownership?



Mr. Walls. Oh, yes, sir.

Senator Barkley. Presumed ownership?

Mr. Walls. That is right.

The Chairman. Senator O'Daniel?

Senator O'Daniel. How many automobiles do you know that Mr. Arnold has dealt in?

Mr. Walls. Mr. Senator, I could only personally prove the Pontiac automobile. Mr. Arnold and I discussed the Chevrolet, the Packard and the Dodge, but I made no investigation whatsoever, so the only one I could prove would be my own automobile.

Senator O'Daniel. And he did buy this from you on the basis of representations that he needed it badly for transportation and on account of that, and on account of him being a high public official, you put him ahead of sixteen other customers --

Mr. Walls. No, I do not believe I would put it on that basis. I did not do this as a favor to Mr. Arnold because I did not know the man. There are a lot of high officials that you could sell automobiles to, but I did it as a personal favor to Mr. Truitt and told him at the time that I was doing it as a personal favor and he said:

"If you will do it for me as a favor I promise you that sometime I will be more than happy to reciprocate."

I did not do it because Mr. Arnold was Collector of Internal Revenue, no, sir.

Senator O'Daniel. You did it as a favor to your friend, Mr. Truitt?

Mr. Walls. That is right, but the fact that he was Collector had no bearing on this case so far as I was personally concerned.

Senator O'Daniel. And because he told you that Mr. Arnold was in need of that transportation --

Mr. Walls. That is right.

Senator O'Daniel. -- you run him in ahead of all the other people that you had waiting?

Mr. Walls. Well I of course could have taken the car and delivered it to one of my customers. After all, when they do not make automobiles for four years you try to take care of the people that took care of you during that starvation period, but I have sold other cars the same as I have sold Mr. Arnold's -- not on the same basis but I mean to friends of mine or to some outsider.

The Chairman. Would you have responded to the same request from Mr. Truitt had it been some other person?

Mr. Walls. I think so. That had no bearing on it. Had Mr. Arnold come in personally to buy the automobile I would have put him on the list the same as I do other people that come in.

The Chairman. At the bottom of the list?

Mr. Walls. That is right. I would have delivered the car to anybody Mr. Truitt asked me to get it for because I believe

he would return the favor if the tables were reversed.

Senator O'Daniel. I have a letter here dated January 6 signed by Mr. Walls that I would like to have identified so so that I might read it into the record.

The Chairman. Mr. Walls, I hand you a letter dated January 6, 1947, addressed to Senator O'Daniel, purporting to contain the signature of I. W. Walls, will you examine it and tell me whether it is your signature?

Mr. Walls. Yes, sir, that is my signature.

The Chairman. Is that your letter?

Mr. Walls. Yes, sir.

The Chairman. Proceed, Senator.

Senator O'Daniel. The letter which has just been identified has been written by Mr. Walls, reads as follows:

"January 6, 1947, Dallas, Texas. Honorable Senator W. Lee O'Daniel, Senate Building, Washington, D.C.

This will confirm our telephone conversation of December 27 with respect to Mr. Herbert Arnold, Collector of Internal Revenue, who has his office in Dallas, Texas.

For your information, around the middle of December, the Buick dealer in Amarillo, Texas, asked me as a personal favor to deliver a new Pontiac car to Herbert Arnold, as he did not have a new Buick available and that Mr. Arnold was desperate for transportation. On December 17th, after receiving a call from Mr. Arnold, I delivered him a 1946

Pontiac Sedan for a total delivered price of \$1958.67, with no trade-in involved. On December 23rd, Mr. Arnold delivered this automobile, which was driven less than fifty miles, to a used car dealer here in Dallas for \$2400. Mr. Roberts, the used car dealer, who purchased the car, immediately sold it to Mr. Gooch Motley, a used car dealer in Houston, Texas for \$2500. When Mr. Arnold learned that I had heard of this transaction and was threatening to take it up with Congress, he repurchased this car from the dealer in Houston for an amount substantially higher than he had sold it for here in Dallas.

Shortly after discussing this transaction with you, the Buick dealer in Amarillo brought Mr. Arnold to my office at which time he admitted the entire transaction as I have outlined to you. He did state to me that in reality it was never a sale, as he had signed no papers, however, the fact remains that there were several cash transactions involved before he repurchased the car. During the conversation in my office, I asked Mr. Arnold about a 1946 Dodge he had obtained from a dealer and he told me that this Dodge had given him considerable trouble and he had, also, had a wreck with it which had cost him \$138; that due to this trouble he had sold the car. Then I asked him about a 1946 Chevrolet and he told me that this car was purchased by his father who had recently suffered a heart

attack and his doctor informed him that he could not drive an automobile. Mr. Arnold stated that he sold this car for his father.

Mr. Arnold further informed me that on the same date that I had sold him a new automobile, he received a new Packard from a dealer in Amarillo, Texas, which he still has in his possession.

Mr. Arnold expressed regret that he had sold the car I had delivered to him as a favor to another dealer, and, stated that his only reason for selling it at a profit was due to his being a little short financially as his wife had just recently had a baby.

Senator O'Daniel, I am not of a revengeful nature, but I felt that if a man who has received an appointment of public trust by the President of the United States should resort to this means of obtaining additional income, that he should be thoroughly investigated by the Congress of the United States before he is confirmed. I want you to thoroughly understand that I never heard of Mr. Arnold until this transaction came up and I never saw him until he came to my office with the dealer from Amarillo to explain his reason for selling the car which he purchased from my company.

I, also, want you to know that I am not in any way questioning the integrity of Mr. Arnold. This is for

Congress to decide, not me.

I might further add that I informed Mr. Arnold that I had gotten in touch with you and had explained the entire transaction."

Senator Hawkes. May I interrupt to ask the witness if when Mr. Arnold took over the Pontiac, he let you know at that time that prior to that, that same day, he had had to take a Packard from somebody else?

Mr. Walls. I never heard that until ten days later when he and Mr. Truitt came to my office.

Senator Hawkes. Another question: did Mr. Arnold in any way intimate to you that he did not need transportation because he had a car and therefore if you wanted to keep the Pontiac you did not have to deliver it as a favor to Mr. Truitt?

Mr. Walls. On the contrary, he told me that he needed transportation.

The Chairman. Did I understand you to say that the car was delivered to Mr. Arnold's secretary?

Mr. Walls. I was not at my place of business. I had been away from my business for sometime but I was informed at my office that Mr. Arnold's secretary had received the car that evening, or the evening of the 17th, I believe.

The Chairman. You had no reason to believe that Mr. Arnold received it directly from your place?

Mr. Walls. That is right. No, sir.

Senator Lucas. Do you know whether he received the Pontiac first or the Packard?

Mr. Walls. I do not know, Senator Lucas.

Senator O'Daniel. Mr. Walls, a transaction of that nature, before the price ceilings were removed by presidential proclamation, would have been considered black market operations, would it not?

Mr. Walls. Not my transaction.

Senator O'Daniel. The transaction of Mr. Arnold in purchasing this car and selling it above the ceiling?

Mr. Walls. That would be considered a violation of Regulation 540, I believe is what they taught me back in the old OPA days.

Senator O'Daniel. Did you not understand that when prices went off that the President called upon the people to help maintain low price ceilings?

Mr. Walls. He called on us long before to hold the line. I made a lot of trips to Washington on this OPA, but the line was not held either before or after.

Senator O'Daniel. They had plenty of black market operations in Dallas before the price went off?

Mr. Walls. That is right. That would have been considered a violation of the OPA regulation, Mr. Senator.

Senator O'Daniel. Now, if the President was asking the citizens of this country to try to hold that line and not let

prices go up, does it look to you like it is public officials who had received appointments of this nature, would be assisting or cooperating with the President or trying to do like the rest of the common citizens that try to hold the line, when they go right ahead selling at \$2400?

Mr. Walls. I have never approached it from that angle. My approach to the entire matter from the inception, long before there was an OPA, when they were considering one, that price could be handled better by legitimate authorized new and used car dealers than they could by any bureaucratic agency, that later convinced me that they used gestapo methods. It was a violation because OPA set a price on which we could sell our automobiles. If you sold that automobile for a dollar more than that price, then you were in violation of the regulation. Certainly when you buy and sell and you keep spiraled up from 19 to 24 and 25 and so on, that creates inflation, if that is what you mean.

We had it long before this transaction with Mr. Arnold. We have had it for sometime. The thing has happened as we who were on the Advisory Committee of OPA, and I happened to be one of the 22, we told the OPA officials time and time again that if they would take off that ceiling that prices would spiral for a while and then they would adjust themselves.

The price of used cars at the present time is off from \$300 to \$400. When I say used cars I am talking also about



'46's. If Mr. Arnold would try to sell that automobile today I question if he could get the amount he originally sold it for, because the prices are adjusting themselves.

Senator O'Daniel. Do you consider that when the President removed price ceilings on automobiles that that automatically gave license to all of these new deal bureaucrats and public officials to buy automobiles and deal in the black market?

Mr. Walls. I have never felt that way about it, Mr. Senator.

Senator O'Daniel. That is what Mr. Arnold was doing, was it not?

Mr. Walls. The thing we have objected to in our business, those of us who have tried desperately to live up to the rules, have always contended, by having this regulation, that our business got to a point where we were doing 20 per cent of the new and used car business and the individuals were doing 80 per cent.

Now, it is any individual's prerogative and right if he buys a piece of merchandise from me, he has a perfect right to sell that merchandise at a profit. That is the way the business of this country has been built. The point that I have made at this subcommittee meeting, and I am making today, that I think it is unethical for any man in public office to buy and sell a scarce commodity at a profit. If he is tempted to that extent then I think he should bear investigation the same as

any other position of trust, even a Senator, if you please, and be investigated to find out whether or not that would continue if he were in this position of trust.

After all, a Collector of Internal Revenue certainly is going to have temptation, common sense will tell you that. I brought this matter up because I thought that Mr. Arnold was unethical in buying my merchandise that I had sold to him as a favor to another dealer, and sold it right under my nose for a profit and I still feel the same way about it.

Senator O'Daniel. Mr. Walls, let me ask you this: that is your idea that it is unethical and wrong and should not have been done. Do you not believe that Mr. Arnold recognized that it was wrong and unethical and should not be done and for that reason he tried to rectify it or get out of it by chasing the car down through two dealers and buying it back at a higher price than he had originally paid for it?

Mr. Walls. Mr. Arnold was scared to death when he was in my office. The man was certainly confused and he would have done anything in the world to get that automobile back. Certainly he tried to right a wrong by doing another wrong.

If it had been my position and I had sold the automobile it would have stayed sold. I would not have bought it back again but I say the poor fellow was confused and he was trying to get the car back and to satisfy me that his intentions were good.

Senator O'Daniel. You do not believe that two wrongs make a right?

Mr. Walls. I cannot subscribe to that.

Senator O'Daniel. Not only that, but furthermore after he bought it back, he did not turn the car back to you.

Mr. Walls. He asked me if I wanted the car back, Mr. Senator, and I told him I wanted it back if he were going to peddle it again.

Senator O'Daniel. Did he offer to sell it back to you?

Mr. Walls. I considered that an offer when he asked me --

Senator O'Daniel. What price did he make?

Mr. Walls. We never quoted prices. I am sure he would have been very happy to let me have it back at the price he paid because he was plenty scared at that time.

Senator O'Daniel. You did not get close to a trade then?

Mr. Walls. I told him I did not want the automobile if he wanted it. He had paid me the full price for it, I had made my profit and I did not want the automobile back if he wanted it for personal transportation but if he wanted to sell that car again I would have liked to have it back and I would have gladly paid him what he paid for it.

Senator O'Daniel. You say he was scared when he was talking to you. Was anyone else there with you?

Mr. Walls. Mr. Truitt.

Senator O'Daniel. Did Mr. Truitt recognize the fact that

he was frightened?

Mr. Walls. I am sure he did.

Senator O'Daniel. Did you and Mr. Truitt have any conversation about it?

Mr. Walls. I asked Mr. Arnold if he would step out in the show room for a minute, that I wanted to talk to Mr. Truitt. So I talked to Mr. Truitt and I said:

"Art, the thing does not look good."

He said: "I know it does not, but the poor devil has made a mistake and he is sorry for it and I do not know just what can be done."

I said: "Art, I want to tell you, not two hours ago I called Senator Lee O'Daniel over at Fort Worth or the Farm" or wherever you were "and I have explained this entire transaction."

I said: "Why do you not go ahead and tell Mr. Arnold about it and make the blow as easy as you can on him?"

He said: "Irv, I would rather you would tell him yourself. Let us call him back in here."

So he came back in and I told Mr. Arnold that he had had ten days, that he had not come down to see me, to try to explain this transaction or at least satisfy my own mind on it and that I had reported him to Senator Lee O'Daniel asking or suggesting whichever you want to call it, that he be investigated before he is confirmed.

Senator O'Daniel. And what did Mr. Arnold say then?

Mr. Walls. Mr. Arnold said if I had done that he supposed there was nothing else for him to do but resign. I said,

"Mr. Arnold, that of course, is a matter for you to decide but after all you were sponsored by the Senior Senator from Texas. I feel that you owe it to him to go and explain this transaction or these transactions in the same manner you have explained to me."

I said: "They are leaving for Washington before long" -- because you told me that day that you were leaving the next day

-- and I said: "If I could give you any advice at all I would tell you to go to Senator Connally and explain the matter to him so he will know about the transaction that we are discussing here this afternoon."

Senator O'Daniel.. At that time did Mr. Truitt reveal to you anything that Mr. Arnold had misrepresented to him with reference to this transaction?

Mr. Walls. Not to my knowledge.

Senator O'Daniel. Was Mr. Truitt under the full impression as he expressed it to you, that Mr. Arnold had not sold that car, that he still had the car?

Mr. Walls. I believe that he may have not known -- the day that he called -- I do not know whether Mr. Arnold had told him that he had sold the car or not.

I am of the impression -- my recollection is hazy on this --

I am of the impression that he knew that the car had been sold before he came to see me, when he called me in Dallas that day, but I cannot be too sure on that, Senator, whether Truitt was informed that day that he had sold the car or some subsequent day between this ten day period.

Senator O'Daniel. When this subsequent conversation took place had the car been bought back by Mr. Arnold from Mr. Motley in Houston?

Mr. Walls. He had the car.

Senator O'Daniel. Did he tell what he paid for it?

Mr. Walls. I did not ask him. It came out, I believe, in the meeting we had last week.

Senator O'Daniel. Do you know anything about the Chevrolet that he bought?

Mr. Walls. I only know what he told me that day in my office and that was that this Chevrolet had been bought by his father.

Senator O'Daniel. He told you it had been bought by his father?

Mr. Walls. Either by or for. I have forgotten the exact conversation, but anyway that the Chevrolet belonged to his father and his father had a heart attack and the doctor would not permit him to drive.

Senator O'Daniel. He had bought it prior to the time he bought the Pontiac?

Mr. Walls. I cannot say for sure. This all happened in my office and I did not ask him the sequence but I assume it was purchased prior to the Pontiac. The Pontiac and the Packard, as I recall, were the last two cars purchased.

Senator O'Daniel. Did you know where he had purchased the Chevrolet?

Mr. Walls. No, sir, I had never known until I got here this week but I believe last week when an affidavit was read by Senator Connally.

Senator O'Daniel. When did you find out he had bought the Packard?

Mr. Walls. He told me that day that he had purchased the Packard.

Senator O'Daniel. That day you had this conversation?

Mr. Walls. That same day, yes, sir.

The Chairman. Senator O'Daniel, I was going to suggest that the witnesses that will come later will be in a position to give direct testimony on the cars which you have mentioned. I believe we could save time if we pursued our questions as to those cars with the witnesses who can give direct testimony.

Senator O'Daniel. To save time, Mr. Chairman -- I would like to cooperate with you in saving time, Mr. Chairman -- and I have another letter here from Mr. Walls dated February 14, which I have read before another session of this committee, and I would like for this letter to be identified and placed

in the record without me taking the time to read it.

The Chairman. Thank you very much.

I hand you a letter dated February 14, 1947 addressed to Senator O'Daniel purporting to hold the signature of I. W. Walls. Is that your signature (Handing to Mr. Walls)?

Mr. Walls. Yes, sir.

The Chairman. Is that your letter?

Mr. Walls. Yes, sir.

"Honorable Senator W. Lee O'Daniel, Senate Building, Washington, D.C.

My dear Senator: Upon my return from Florida, I was given an article printed in the Dallas Times Herald with respect to a hearing of the Senate Finance Committee in the Herbert E. Arnold case.

This article misrepresented the true facts regarding the Pontiac transaction. Mr. Arnold did not have his name on our list for the purchase of a Pontiac car. Mr. Truitt, the dealer in Amarillo, Texas, asked me as a personal favor if I would sell him a car, as he had no transportation and was badly in need of an automobile. I did not know Herbert Arnold, but as a personal favor to Mr. Truitt I agreed to sell him a car, which, of course, necessitated my taking an automobile from a person on the list in order to take care of Mr. Arnold's personal transportation. I called Mr. Arnold immediately after



talking to Mr. Truitt and told him I had a shipment in route which would probably arrive the first of the following week and that he could have one of them. Mr. Arnold called me personally about the middle of the following week and asked when I would have the car for him, as he was badly in need of transportation. I informed Mr. Arnold that the car had arrived and would be ready for him in about two days. When the car was ready Mr. Arnold sent his secretary for the car, so I never saw him until Mr. Truitt brought him to my office a couple of hours after I had discussed the matter with you.

It may be true, as stated in the paper, that both cars came through the same day, but, the fact still remains that Mr. Arnold absolutely knew that he was getting a Pontiac before he received the Packard. Mr. Arnold gave me the impression that due to his financial condition he could not afford two automobiles and that it was his intention of letting his assistant have the Packard. He did not repurchase the Pontiac from the used car dealer in Houston, Texas until he learned through Mr. Truitt that I was going to report the matter to you.

Senator O'Daniel, I am giving you this information to correct the statement that Mr. Arnold had his name on our list to purchase a new car. He knew I was making an exception so he could have an automobile. It would seem to

me that the Senate Finance Committee, which had Mr. Truitt, a third party, called to Washington to testify would have also wanted the party who made the complaint at that particular hearing, so all facts could have been had before reaching a decision. I am not familiar with Senate procedure; however, I am perfectly willing, if necessary, to appear before any Senate Committee under oath and give the true facts as I know them.

I fully understand that when an individual buys an automobile or anything else he has a perfect right to resell it at a profit. I felt at the time and I still feel that it is unethical for a man who has received an appointment by the President of the United States to resort to the buying and selling of a scarce commodity for personal gain. When I reported this matter I was fully cognizant of the fact that I was placing myself in a hazardous position by reporting a man who has been appointed Collector of Internal Revenue. I was taught years ago when I was taking a course in law that if you go into court you should do so with clean hands. This, I have done, as I gladly pay my income tax and I was not a black market operator during the OPA regime. I might further state that my 1944 and 1945 income tax returns have already been approved with no exceptions made.

I am leaving today to attend the convention of the

National Automobile Dealers Association in Atlantic City, however, if the Senate Committee would like to hear my side of the case I shall be more than happy to appear. I can be reached either through my office here or the Traymore Hotel in Atlantic City, New Jersey.

For your information, I am attaching hereto the article which appeared in the Dallas Times Herald on February 6th."

The Chairman. Any further questions?

Senator O'Daniel. Not now, sir.

The Chairman. Do you wish Mr. Walls to remain?

Senator O'Daniel. Yes, I would like for him to remain for a while.

The Chairman. You are excused for the time being.

Mr. Walls. While I am on the stand: I have a reservation tonight and I have to get back. Is there any likelihood of having to stay over?

The Chairman. What time is your reservation?

Mr. Walls. Eight o'clock.

The Chairman. Do you not think we can give him a fairly durable assurance?

Senator O'Daniel. I think we can release him if he will stay around here until it is time to catch the plane so we can use him if needed.

The Chairman. Come forward, Mr. Southworth.

TESTIMONY OF BILL SOUTHWORTH

AMARILLO, TEXAS

The Chairman. Are you Bill Southworth of the Southworth Motor Company of Amarillo, Texas?

Mr. Southworth. Yes, sir.

The Chairman. Will you raise your right hand and be sworn, please.

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Southworth. I do.

The Chairman. Be seated please.

Are you the owner of the Southworth Motor Company at Amarillo?

Mr. Southworth. I am the assigned dealer. My father owns it.

The Chairman. What kind of business is it?

Mr. Southworth. A Packard dealership.

The Chairman. How long have you been in that business?

Mr. Southworth. Approximately a year.

The Chairman. What is your exact capacity with the company?

Mr. Southworth. I am the General Manager.

The Chairman. What did you do before you became connected with this business?

Mr. Southworth. I was in the Navy.

The Chairman. In the Navy how long?

Mr. Southworth. Three years and 21 days.

The Chairman. Prior to that time what did you do?

Mr. Southworth. I had a used car lot.

The Chairman. How long in that business?

Mr. Southworth. I imagine it was approximately six months.

The Chairman. Were you born in Amarillo?

Mr. Southworth. No, sir, Wichita Falls.

The Chairman. You are a Texan by birth?

Mr. Southworth. Yes, sir.

The Chairman. How long have you been in Amarillo?

Mr. Southworth. Twenty-one years.

The Chairman. You have heard the testimony of Mr. Walls?

Mr. Southworth. Yes, sir.

The Chairman. Have you any facts bearing on the transaction which you can give us?

Mr. Southworth. I know nothing of Mr. Walls statement and I knew nothing of the Chevrolet or the Dodge until I was sitting back here a while ago and listening to his testimony and that was the first I had heard of it.

The Chairman. Can you tell us about the Packard?

Mr. Southworth. The Packard happened that a friend of Mr. Arnold's who lives in Amarillo called our place one day and asked to get a Packard for a friend of his. We did not

ask him who he was; did not say anything to him about it, because our Packards go for immediate delivery. We keep no waiting list. We do not follow that policy.

The Chairman. First come first served?

Mr. Southworth. Yes, sir. We tried to follow that in another one of our agencies and it did not work out to the satisfaction of the customers and the company.

The Chairman. Who was the friend of Mr. Arnold?

Mr. Southworth. Mr. Powell.

The Chairman. How do you spell that?

Mr. Southworth. P-o-w-e-l-l. I imagine that is the way it is spelled.

The Chairman. Go ahead.

Mr. Southworth. Mr. Powell called in reference to this car and we told him we were expecting some in in approximately a week to two weeks, we did not know just exactly when.

The Chairman. Can you state the time when that occurred?

Mr. Southworth. No, sir, I could not. I imagine it was sometime around -- it was between the first of December and the 17th. I just could not tell you exactly.

The Chairman. Go ahead.

Mr. Southworth. Because I did not pay enough attention to it.

The Chairman. Go ahead.

Mr. Southworth. Anyhow, we told him it would be approxi-

mately a week to two weeks before we could get the car in and we thought no more about it. It never entered our mind again. We did not ask him who it was going to or who it was going for.

Around the 15th or 20th, approximately December 17th, Mr. Arnold happened to be in town, and he came into our place, and we had received some cars that afternoon, and he came in and asked if there was a chance of him getting one of them, and we told him yes, and he had a choice of two cars.

The others were there for immediate delivery -- the others were there that were going out to people who had chosen them and they were going for immediate delivery.

And he took the choice of the cheaper car. I think it cost him \$1982 for the Packard.

We delivered Mr. Arnold the car in Amarillo and he told us at the time that he was expecting another car. He said,

"I am in dire need of a car and I put my order in at another place in Dallas."

He did mention that he had another car and sold it because he had trouble with it and sold it because he absolutely did not like the car, and he dispensed with it and that was the whole deal.

He told us he had put his order in some place else. He told us:

"I might have to sell this Packard now if my other car comes in because I am not a two-car family. I cannot

family. I cannot afford to have two cars and if one or the other comes in while I am receiving this one I will have to sell one of them."

We told Mr. Arnold if that was his situation it made no difference to us. He had paid us for the car and it was his automobile and we could not dictate what to do with it.

The Chairman. You had no waiting list?

Mr. Southworth. No, sir.

The Chairman. Therefore you did not care to whom you sold the car?

Mr. Southworth. No, sir. That is the end. That is the first time I ever saw Mr. Arnold and it was the last time up until I saw him here.

The Chairman. Did you give Mr. Arnold any kind of a preference that you would not have given anyone else because of his position as Collector of Internal Revenue?

Mr. Southworth. No, sir. It made no difference. Our cars are for immediate delivery. I left two in Amarillo for immediate delivery when I came here.

The Chairman. Any questions?

Senator Hawkes. I would like to ask this question: Is it a fact that you never kept a list of all the people who wanted to buy Packards?

Mr. Southworth. Never have, no, sir. I know that that did not take effect while I was gone because when I came



home -- I got home January 1, 1946, and took it over -- and they still had the first Packard on hand that they had received since before the war sitting on the show room floor and I took over and handled it the rest of the time.

Senator Hawkes. Do you know of any other automobile agency that does business that way?

Mr. Southworth. Yes, sir.

Senator Hawkes. I never heard of one.

Mr. Southworth. Yes, sir. We have six different lines, and on our Chrysler and Plymouth line we took a list and we had quite a long list, and it seemed that the first car came in, the fifth person on the list come in roaring because he was supposed to get the first car and maybe the fifth person come in and he said he was supposed to get that one -- "How come so and so got it?" So we completely dispensed with it.

Senator Hawkes. Do you know any other dealer in the United States that does not keep a list of people that want to buy cars?

Mr. Southworth. No, sir.

Senator Hawkes. I do not either.

Mr. Southworth. I could not name you any that does keep a list either, though, because I have not had any dealings with them.

Senator Hawkes. Every automobile dealer I know keeps a list.

Senator Barkley. Every dealer does business according to his own ideas.

Mr. Southworth. Yes, sir.

Senator Hawkes. I am talking about the custom throughout the United States.

Mr. Southworth. We do not follow the custom, sir. We do it the way we think our business should be handled.

Senator Lucas. I want to ask one question to be sure and get this clear in my own mind.

Do I understand you to say that when Mr. Arnold came to you to buy this car, that he specifically told you in that conversation that he had another car ordered, and that there was a possibility, if this car came in, that it would be necessary to make disposition of the Packard car, because he could not afford to have two cars on hand?

Mr. Southworth. He did not say disposition of the Packard. He said it would be one or the other of the cars.

Senator Lucas. In other words, he gave you the information that he had another car ordered.

Mr. Southworth. Yes, sir.

Senator Lucas. At the time he bought this car?

Mr. Southworth. Yes, sir.

Senator Lucas. Told you that he couldn't afford two cars and he would have to dispose of one or the other in the event the other car came in?

Mr. Southworth. That is right.

Senator Lucas. And you sold him that car with that understanding?

Mr. Southworth. Yes, sir. And if he had sold the Packard we would have had no kick coming whatsoever.

Senator Lucas. And would you have sold him the car regardless of the information he gave you?

Mr. Southworth. Yes, sir.

Senator Lucas. You considered it none of your business what he was doing in the matter of other cars?

Mr. Southworth. No, sir.

The Chairman. That your affair was to sell him the car that you did sell him?

Mr. Southworth. Yes, sir.

The Chairman. Senator O'Daniel.

Senator Hawkes. I would like to ask another question.

Did he tell you about having another car and that he might sell one or another of these two cars before you sold him the car, before you had accepted his check or after you had accepted his check?

Mr. Southworth. If I remember correctly, sir, he was standing at the counter writing his check out when he said that. Now I could not swear to that but just the way I recollect he was standing over by the counter and I believe he had the check book in his hand at the time.

The Chairman. Would it have made any difference whether he told you before or after he signed the check?

Mr. Southworth. No, sir. We could have given him his check back if it had.

Senator O'Daniel. He gave you his personal check, did he?

Mr. Southworth. Yes, sir.

Senator O'Daniel. For how much?

Mr. Southworth. Approximately \$1982. I cannot remember to the exact cent. I did check it before I came here and looked at it to familiarize myself with it but I do not remember.

Senator O'Daniel. And that was between December 15 and December 20, 1946?

Mr. Southworth. Yes, sir. I believe it was the 17th.

Senator O'Daniel. You believe it was the 17th?

Mr. Southworth. The 17th or 18th. I do not remember.

Senator O'Daniel. You are not sure?

Mr. Southworth. No, sir.

Senator O'Daniel. Was that the first time you had ever seen Mr. Arnold?

Mr. Southworth. Yes, sir.

Senator O'Daniel. How did you get acquainted with him? Did he introduce himself?

Mr. Southworth. He came in with another man who introduced him.

Senator O'Daniel. Who was the other man?

Mr. Southworth. Mr. Powell.

Senator O'Daniel. Mr. Powell?

Mr. Southworth. Yes, sir.

Senator O'Daniel. Is that Mr. Powell the man who made the deal with you to get the car for him?

Mr. Southworth. Yes, sir.

Senator O'Daniel. Prior to that?

Mr. Southworth. He phoned, yes, sir.

Senator O'Daniel. What business is Mr. Powell engaged in?

Mr. Southworth. I believe Mr. Powell is with the Internal Revenue Department in Amarillo.

Senator O'Daniel. Do you know what position he holds?

Mr. Southworth. No, sir, I do not.

Senator O'Daniel. Have you ever sold him any automobiles?

Mr. Southworth. No, sir. Not to my knowledge. Since I have been back we have not.

The Chairman. Have you had any trouble of any kind with the Internal Revenue?

Mr. Southworth. No, sir.

Senator O'Daniel. You were able to take care of all your customers in the Amarillo District. You had plenty of cars to take care of everybody.

Mr. Southworth. No, sir, we are still not able to; probably will not be for the next two years.

Senator O'Daniel. There were other people in your home

district that wanted automobiles?

Mr. Southworth. Yes, sir.

Senator O'Daniel. But you did not pay any attention to them?

Mr. Southworth. If they had walked in there before Mr. Arnold they would have gotten one.

Senator O'Daniel. The man that came in first got it.

Mr. Southworth. Yes, sir.

Senator O'Daniel. Mr. Arnold -- then it did not do any good for Mr. Powell to order this one in advance?

Mr. Southworth. No, it did not. We just told Mr. Powell when they would be in and if he was there he would get one.

Senator O'Daniel. Then Mr. Powell came in there and introduced you to Mr. Arnold and told you who he was.

Did you know who Mr. Powell was at the time he placed the order?

Mr. Southworth. No, sir, I did not.

Senator O'Daniel. Who did? Anybody in your company?

Mr. Southworth. I could not tell you that. I did not question them on it.

Senator O'Daniel. But you did not know?

Mr. Southworth. I do not know who Mr. Powell was. Mr. Powell introduced himself to me the day he came in with Mr. Arnold.

Senator O'Daniel. And then introduced Mr. Arnold?

Mr. Southworth. Yes, sir.

Senator O'Daniel. You say that Mr. Arnold told you that he had another car bought. Did he say he had taken delivery or had not taken it?

Mr. Southworth. He did not say he had another car bought. He said he had another car ordered.

Senator O'Daniel. Had another car ordered?

Mr. Southworth. Yes, sir.

Senator O'Daniel. Did he say that that was all he had, just those two? That he would sell the one he did not want to keep if he got them both?

Mr. Southworth. Yes, sir.

Senator O'Daniel. Did he tell you about a Dodge that he had?

Mr. Southworth. He did not mention any make of car. He said he had a car previously and did not say what kind. He said he had a car previously and had trouble with it and sold it. I took it for granted when he said he had trouble with it and had gotten rid of it that it was probably a '46 model car.

Senator O'Daniel. What make?

Mr. Southworth. I would not have the slightest idea, sir.

Senator O'Daniel. What makes you think it was a '46?

Mr. Southworth. Because it stands to reason that they built '42's before they had '46's. And if he had a '42 he was

bound to have it for five years and I could not see him having it five years and then getting made at it all of a sudden.

Senator O'Daniel. Did he say anything about the Chevy?

Mr. Southworth. No, sir.

Senator O'Daniel. Did not mention the Chevrolet?

Mr. Southworth. No, sir.

Senator Brewster. Did you have any people wanting cars at that time?

Mr. Southworth. Yes, sir.

Senator Brewster. And did you tell them you were expecting cars on a certain day?

Mr. Southworth. Yes, sir, if a man comes in and we expect a carload in next week, we tell him:

"We are expecting a car next week."

He will say:

"Will you put me on the list?" and I say, "No, sir, we are not putting other people on the list for the same reason."

Senator Brewster. Not a definite day, just expecting some in next week.

Mr. Southworth. Yes, sir. In my estimation it was purely a coincidence that they came in that day.

Senator Brewster. As far as you know it was purely coincidence?

Mr. Southworth. Yes, sir.



Senator Brewster. Just happened to hit it on the nose?

Mr. Southworth. Yes, sir. In fact I believe that we had gotten a carload in before that and then we got another carload in that day and he did not get one following his order when he called there in the morning.

Senator Brewster. You never would intimate to anyone that you would call them up when the carload arrived?

Mr. Southworth. No, sir. Not unless it was just a personal friend that I knew and kept it in my mind, because you cannot do that for one person and not do it for another.

Senator Brewster. Do you have to do any business with the Internal Revenue Office -- do you have your returns gone over?

Mr. Southworth. No, sir.

Senator Brewster. Your business does not require that?

Mr. Southworth. I guess not. I do not know. I do not know what has been going on up until the time I came home.

The Chairman. Did you have any pending questions at the time of the transaction, with the Internal Revenue?

Mr. Southworth. No, sir. They are always checking books. I think they are checking every one in Amarillo.

Senator Lucas. That is not only in Amarillo.

Senator Brewster. Do you think they are kind of nice fellows to know then?

Mr. Southworth. Well, I do not know.

Senator O'Daniel. You say they have not checked yours?

Mr. Southworth. Oh, yes. That is what I say. They are checking every one's that I have seen or talked to.

Senator O'Daniel. Including yours?

Mr. Southworth. Yes, sir.

Senator Brewster. I thought you told me they had not.

Mr. Southworth. I thought you said did I have any trouble with them?

Senator Brewster. No, I did not say trouble. I just asked you whether they had been checking your books.

Mr. Southworth. Yes, sir.

Senator Brewster. So you did have business relations with them in the normal course of business?

Mr. Southworth. No, sir. We have not had any business relations with them. They just come in and look at them. We try to stay as far away from them as possible. We don't want any business dealings with them.

Senator Brewster. Do you think you think you kind of hold them in a little respect then?

Mr. Southworth. No. Not especially any more than I would any other government agency.

Senator Brewster. The same?

Mr. Southworth. Yes, sir.

Senator O'Daniel. Did they notify you they found any changes to be made in your reports?

Mr. Southworth. No, sir.

Senator O'Daniel. Did Mr. Powell make this check of your books?

Mr. Southworth. No, sir. The man -- I could not tell you his name -- I just call him Winnie when I walk in. I just say, "Hello Winnie" and go on about my business and never do anything else.

Senator O'Daniel. Does Winnie live in Amarillo?

Mr. Southworth. I could not tell you.

Senator O'Daniel. You do not know where he lives?

Mr. Southworth. No, sir.

Senator O'Daniel. Is that all you know about the automobile transaction of Mr. Arnold?

Mr. Southworth. Yes, sir.

Senator O'Daniel. Any further questions?

Senator Hawkes. I would like to ask just one question. I know quite a little bit about the automobile business and I know quite a little bit about the shortage. I know about the thousands of people who have been waiting for cars. How do you figure that you could conduct your Packard business the way you say you did without showing any consideration to any customer who wanted to buy except catch as catch can? They had to find out when a car was coming, when all the other people were doing business and showing the courtesy to Mr. Customers that they were showing.

Mr. Southworth. Well, sir, we have been making a living at it doing it that way.

Senator Hawkes. How many cars a year do you sell?

Mr. Southworth. We received 31 Packards.

Senator Hawkes. So far this year?

Mr. Southworth. Since the war was over.

Senator Hawkes. What do you call "the war was over?"

I understood it was not over yet.

Mr. Southworth. Well it is over for me. I do not know about that.

Senator Hawkes. What period are you talking about 31 Packards?

Mr. Southworth. 31 Packards since they had gone into production of '46 model automobiles.

Senator Hawkes. When was that?

Mr. Southworth. I do not know, sir. I was not home.

Senator Hawkes. That would not be very many Packards, would it? Thirty-one. That would be back in the end of 1945 and over a year and four or five months.

Mr. Southworth. On the contrary we thought it was quite a few.

The Chairman. Do you sell all you get?

Mr. Southworth. Yes, sir. I have two on the floor now for immediate delivery if anyone wants one.

Senator Hawkes. You do not have to pay an Internal Revenue

Collector to get one?

Mr. Southworth. No, sir.

Senator Hawkes. All right.

The Chairman. Do you ever do business with anyone that lives in Washington, D.C.?

Mr. Southworth. Yes, sir. If that is what it takes. We limit them like they do butter in the grocery store.

The Chairman. Do you suppose those cars are still on the floor? Do you think if I would fly down there tomorrow I would get one?

Mr. Southworth. I imagine you could. They have been there for a week.

The Chairman. Thank you very much.

Is there any need for the witness to remain?

(No response)

The Chairman. You are excused.

Senator Connally. I think he might stay around if he is not going out tonight. We might recall him.

The Chairman. Is Mr. Gooch Motley here?

TESTIMONY OF GOOCH MOTLEY

HOUSTON, TEXAS

The Chairman. Come forward please. You are Gooch Motley of Houston, Texas?

Mr. Motley. Yes, sir.

The Chairman. Will you raise your right hand and be sworn, please?

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Motley. I do.

The Chairman. Are you a used car dealer in Houston?

Mr. Motley. Yes, sir.

The Chairman. How long have you been in that occupation?

Mr. Motley. Three years.

The Chairman. What were you doing before then?

Mr. Motley. I was in the Army.

The Chairman. Before that time?

Mr. Motley. I was in the automobile business.

The Chairman. What kind of automobile business?

Mr. Motley. Used car business.

The Chairman. How long before you went in the Army?

Mr. Motley. About twelve years.

The Chairman. Have you had any contacts with Mr. Herbert

E. Arnold in your business as used car dealer?

Mr. Motley. Yes, sir, I have talked to him over the telephone.

The Chairman. Have you had any contacts with anybody representing Mr. Arnold?

Mr. Motley. No, sir.

The Chairman. Do you know anything about the transactions that have been discussed here today?

Mr. Motley. Yes, sir.

The Chairman. Will you tell us what you know please?

Mr. Motley. Mr. Roberts called me over the phone and asked me if I would give \$2500 for a 1946 model Pontiac.

The Chairman. Mr. Roberts. He is the used car dealer?

Mr. Motley. In Dallas.

The Chairman. Who has been referred to previously?

Mr. Motley. Yes, sir.

The Chairman. All right.

Mr. Motley. And I told him yes I would and he said all right I will send it to you and he did.

The Chairman. What kind of car was this?

Mr. Motley. 1946 Pontiac, Chieftan Four-door Sedan with radio and heater.

The Chairman. He called you at Houston?

Mr. Motley. Yes, sir.

The Chairman. And the Pontiac was at Dallas?

Mr. Motley. Yes, sir.

The Chairman. Go ahead.

Mr. Motley. He sent the car down to me and while the man was still there that drove it down to me, one of my salesmen sold the car to an individual who had just walked up on the lot, and during the time that the sale was being made Mr. Roberts called me up over the phone and asked me if he could get the car back.

I said: "Well, of course, you can get it back, but I do not do business on that basis. When I buy a piece of merchandise it is supposed to be mine as long as I pay for it and whatever I want to do with it after that becomes my business."

He said: "Well, Mr. Arnold insists that he got that automobile back," and I explained to Mr. Roberts at the time --

Senator Hawkes. May I interrupt you there?

Did you know the car was sold by Mr. Roberts for Mr. Arnold?

Mr. Motley. No, sir. I did not know where the car came from.

Senator Hawkes. Then he must have explained to you who Mr. Arnold was because you did not know anything about Mr. Arnold?

Mr. Motley. No, sir.



Senator Hawkes. When he said Mr. Arnold wants to get the car back, how would you know who Mr. Arnold was?

Mr. Motley. He told me that over the telephone.

Senator Hawkes. But you did not know anything about Mr. Arnold?

Mr. Motley. No, sir. I did not until right now.

Senator Hawkes. I understand that perfectly but I was wondering why he did not explain who Mr. Arnold was.

Mr. Motley. He did. I haven't gotten to that yet, sir.

Senator Hawkes. All right.

Mr. Motley. So he explained that Mr. Arnold was the Collector of Internal Revenue for the Southern District or Northern District of Texas, or whatever he is, and that he would suggest that I sell the car back to him.

I said, "Certainly I will sell it back." So he asked me how much money I had the car sold for and I told him that I had made a \$500 profit, which would be \$3,000. He says, "Would you be willing to accept \$500 then for me to send the car back?"

In the meantime Mr. Arnold got on the telephone and I talked to him and he asked me if I would sell the car back to him. Of course I hesitated for a moment and talked to this other prospect that I had in the office at that time and asked him if that would be all right, and he said, yes, and I told Mr. Arnold that I would sell him the car back for a \$500 profit, which I did.

The Chairman. That was the amount that you had intended as your mark-up for the customer that was in the office at the time?

Mr. Motley. That is correct, sir.

Senator Hawkes. Who got the \$500, you or the prospect?

Mr. Motley. I did.

Senator Hawkes. And the prospect gave the car up without getting the profit?

Mr. Motley. He never did buy the automobile. He was in the office at the time and the deal was in the making.

Senator Hawkes. You said you sold it to him for \$500 more, you will find in the testimony.

Now, was the sale a sale or was it not?

Senator Lucas. I do not think that was the testimony.

Senator Hawkes. It is my recollection that it was the testimony.

The Chairman. Will the witness restate the transaction that occurred in his office while the customer was there and while he was talking to Mr. Arnold?

Mr. Motley. I had a prospect in my office, that one of my salesmen had submitted the car to him for \$3,000?

The Chairman. Had the sale been made?

Mr. Motley. No, sir. Not definitely.

The Chairman. The sale could have been made?

Mr. Motley. The sale could have been made, that is correct,

sir.

Senator Hawkes. Now, Mr. Chairman, I think you will find when you read what has been said here, that he said the prospect walked up on the lot while the man was there delivering the car, and asked if he could buy it and that you said it would be \$3,000 and you made a sale of it. I think that is what the record will show.

Mr. Motley. Well, if it does, I said the wrong thing.

The Chairman. Right here.

Senator Hawkes. Yes, right here.

The Chairman. Will you read the notes?

(Record read)

Senator Hawkes. The point I want to bring out is that you told Mr. Roberts that when you bought a car it belonged to you and that was your business, and a sale was a sale with you, then you said there in your testimony that your man sold the car right while it was on the lot. Then you say that you returned the car and the \$500 profit went to you and the purchaser voluntarily surrendered it without any interest.

Now, if a sale was a sale with you, why was it not a sale with the purchaser that bought the car and he wanted it or he would not have been there? That is the point.

Mr. Motley. Had he bought the car that would have been correct. I am sorry.

Senator Hawkes. I can only go by what you said.

Mr. Motley. I understand that. I am sorry that I said that.

The Chairman. Your testimony now is that the sale had not been completed?

Mr. Motley. That is correct. May I say one other thing?

The Chairman. Yes, sir.

Mr. Motley. You have had lots of experience in the automobile business I just said.

Senator Hawkes. Yes.

Mr. Motley. Sometimes you know it takes more than just one second to sell an automobile.

Senator Hawkes. Well, it does not take more than a second for me to sell you something at \$3,000 and for me to say I accept it.

Mr. Motley. You are right about that.

Senator Hawkes. That is all it takes. Just about a minute. A half second.

The Chairman. Have you finished what you want to say?

Mr. Motley. Yes, sir.

Senator Hawkes. Go ahead, Senator.

Senator Connally. Did I understand you to testify a while ago that the prospect, as you called him, not the purchaser but the prospect, said it was all right for you to go on and sell the car back to Mr. Arnold?

Mr. Motley. Yes, sir.

Senator Connally. Even if he purchased it and he gave his consent to sell it to Mr. Arnold it would not have made any difference whether he had bought it or whether he had not, would it?

Mr. Motley. I do not see how it would have made so much difference, no, sir.

Senator Connally. That is all.

The Chairman. Any further questions, Senator O'Daniel?

Senator O'Daniel. What date did you purchase this car from Mr. Roberts?

Mr. Motley. I believe it was December 24.

Senator O'Daniel. The day before Christmas?

Mr. Motley. Yes, sir.

Senator O'Daniel. And what date did they deliver it?

Mr. Motley. Wait a minute. The 24th is the day the car was actually delivered to me.

Senator O'Daniel. What day did you purchase it?

Mr. Motley. The day before. The 23rd.

Senator O'Daniel. December 23 and delivered on December 24?

Mr. Motley. That is correct, sir.

Senator O'Daniel. You made \$500 profit there? Did it appear rather unusual that somebody should frantically want a car back and pay \$500 more than he got for it to get it back?

Mr. Motley. I hardly know how to answer that.

Senator O'Daniel. What did you think?

Mr. Motley. I had never run into this same type deal before. There are lots of automobiles I sold that I have made \$500 or even more money than that on.

The Chairman. Let me ask a preliminary question: did Mr. Arnold explain to you on the telephone why he wanted it back?

Mr. Motley. Yes. Mr. Arnold told me that if he did not get the car back that he would lose his job.

The Chairman. Does that give you the foundation?

Senator O'Daniel. Yes. That is it. It shows an indication that Mr. Arnold thought he had done something pretty bad and he wanted to get that car back so he could not be accused in dealing in the black market or what used to be the black market, and he was paying \$500 for a car that was driven down to Houston and back, and you being an automobile dealer, I imagine that would be a rather unusual experience.

Mr. Motley. Yes, sir, it is the first one I have had and I hope it will be the last one.

Senator Hawkes. Mr. Chairman, may I right in there, Senator O'Daniel without objection from you ask --

Senator O'Daniel. Yes.

Senator Hawkes. Who did you pay for the car and did you pay cash or by check?

Mr. Motley. I did not pay anyone for the car.

Senator Hawkes. You never paid for the car at all?

Mr. Motley. No, sir.

Senator Brewster. Who paid you?

Mr. Motley. Mr. Arnold wrote the check that I got.

Senator Brewster. Did he come down and get the car?

Mr. Motley. No. The driver that had driven the car to Dallas returned it the same date and I think that Mr. Arnold paid him for returning it.

Is that not right?

Senator Hawkes. May I ask you why you say Mr. Arnold wrote the check when the Senator asked you who paid you? Who paid you?

Mr. Motley. Mr. Arnold paid me.

Senator Hawkes. You said he wrote the check. I just was wondering what you meant?

Mr. Motley. Mailed to me.

Senator Hawkes. Who sent you the check? Mr. Arnold or Mr. Roberts or who?

Mr. Motley. Mr. Lewton sent me the check.

The Chairman. How do you spell that?

Mr. Motley. L-e-w-t-o-n.

The Chairman. And who is he in this business?

Mr. Motley. He is an automobile man in Dallas.

Senator O'Daniel. How did he get the check?

Mr. Motley. This sure is going to get complicated: Mr. Arnold talked to me over the phone and of course I did not

know Mr. Arnold from Adam's ox and he said that he would give me the \$500. I know Mr. Lewton very well and I know that whatever he says would be perfectly all right with me for \$500 or \$50,000 and I asked him to send me the money himself that I would not be responsible for him sending me the check, so he made the check out to Mr. H. H. Lewton -- wait a moment, I am not sure about that. Anyway, he endorsed the check, H.H. Lewton, and mailed it to me.

Senator O'Daniel. Mr. Lewton endorsed Mr. Arnold's check and mailed it to you?

Mr. Motley. Yes, sir. There would be no reason for me to accept a check from Mr. Arnold because I had never heard of him.

Senator Brewster. Even though you knew he was the Collector of Internal Revenue?

Mr. Motley. I only knew that at the time that Mr. Roberts called me over the phone.

Senator Brewster. But you knew it before you made the sale?

Mr. Motley. Yes, sir.

Senator Brewster. So you knew you were dealing with the Collector of Internal Revenue?

Mr. Motley. Yes, sir.

Senator Brewster. But you thought it would be just as well not to take a chance on his check?

Mr. Motley. Yes, sir.



Senator Hawkes. Let me see if I understand it.

Mr. Roberts tried to sell you a car and nearly did but you never paid for it?

Mr. Motley. No, sir.

Senator Hawkes. Then you sold that car to a prospect according to your own statement and the prospect let you out of it and Roberts called you up from Dallas and said Mr. Arnold wanted the car back.

Mr. Arnold called you up and said he wanted the car back and if he did not get it back it might cost him his job, and Mr. Lewton sent you the check.

Mr. Motley. Yes, that is correct.

Senator Hawkes. Did that not impress you as a very peculiar comedy of compound --

Mr. Motley. It does, unless you are in the automobile business and have sold as many automobiles and sold as many of them as I have. I bought lots of automobiles that I have not paid for until way after I sold them.

Senator Hawkes. I do not mean that. I mean, did it not impress you as a very peculiar transaction to have these men some of whom you did not know, calling you up about getting a car back and having a prospect there and having sold him a car and having him release you?

I would not have released you. I would have said:

"Give me fifty-fifty" if it had been me. If you had

sold me a car -- and you told me you are a man who believes when a deal is made you ought to have it lived up to -- I would have said: "Let me in on it."

Mr. Motley. That is correct, sir. I said, I am sorry I said I sold him the car.

The Chairman. Was the check good?

Mr. Motley. I guess it was. I deposited it in the bank.

Senator Barkley. You got the impression from all of those people that Mr. Arnold wanted the car back, regardless of how many people talked to you and who endorsed it?

Mr. Motley. Yes, sir.

Senator O'Daniel. Is Mr. Lewton associated with Mr. Roberts there?

Mr. Motley. No, sir. He is another dealer.

Senator O'Daniel. He operates in another section of this city?

Mr. Motley. Yes, sir.

Senator O'Daniel. How did you get in touch with him? Can you call him back?

Mr. Motley. I did not call any of them. They called me and Mr. Roberts was in the office at the time. I talked to all three of them at one time.

Senator O'Daniel. Mr. Roberts' office?

Mr. Motley. Was it your office?

Mr. Roberts. Yes, sir.

Mr. Motley. Mr. Lewton was there too?

Senator Brewster. What was he doing there?

Mr. Motley. He was a friend of his. He was visiting with him.

Senator Brewster. He just happened to be there?

Mr. Motley. No, sir. Now, you are going to just get things more complicated. Do you mind if I speak?

The Chairman. No. Go ahead.

Mr. Motley. Mr. Lewton was the first one that called me about the car.

Mr. Arnold had shopped the car down at Mr. Lewton's place. When I say shopped I mean that he had carried it down there and had offered it for sale so Mr. Lewton called me up and asked me if I would take the automobile at that figure, and then Mr. Roberts called me and asked me if I would take it at that figure. I told themboth that I would take it at that figure, and Mr. Lewton and Mr. Roberts and Mr. Arnold all three got together at Mr. Roberts place of business -- I hope I do not say nothing wrong -- do not write too fast there -- and called me up over the telephone, and asked me if I would send them the car back, which of course I did for a \$500 consideration.

Senator Lucas. About the quickest \$500 you ever made, is it not?

Mr. Motley. No, sir. I have made some quicker than that.

Senator O'Daniel. Was the black market business handled a good bit on that order?

Mr. Motley. In Houston?

Senator O'Daniel. Yes.

Mr. Motley. Very similar to that, yes, sir.

Senator O'Daniel. It had all the earmarks of black market operations?

Mr. Motley. Yes, sir.

Senator O'Daniel. And you know quite a bit about that?

Mr. Motley. Yes, sir.

Senator O'Daniel. There was quite a bit of that going on in Houston?

Mr. Motley. Yes, sir.

Senator Lucas. The State of Texas?

Mr. Motley. It was not only in Texas. I imagine in about 47 other states it was the same.

The Chairman. Let us get ahead folks. Go ahead, Senator O'Daniel.

Senator O'Daniel. That is all.

The Chairman. Any further questions?

(No response)

The Chairman. May the witness be excused permanently?

Senator Lucas. We can turn him loose.

Senator O'Daniel. Let us help him here for a moment and see if something else might happen.

The Chairman. Is Richard Roberts in the room?

TESTIMONY OF RICHARD ROBERTS

DALLAS, TEXAS

The Chairman. Your name is Richard Roberts?

Mr. Roberts. Yes, sir.

The Chairman. You are from Dallas?

Mr. Roberts. Yes, sir.

The Chairman. Will you raise your right hand and be sworn, please?

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Roberts. I do.

The Chairman. You are in the used car business at Dallas at the present time?

Mr. Roberts. Yes, sir.

The Chairman. How long have you been in that business?

Mr. Roberts. One year, March 15.

The Chairman. What were you doing before then?

Mr. Roberts. U. S. Navy.

The Chairman. And before that time?

Mr. Roberts. Traveled for Gibson-Hart Company of Cincinnati.

The Chairman. What business --

Mr. Roberts. Salesman.

The Chairman. What business are they in?

Mr. Roberts. Greeting cards.

The Chairman. What did you do before then?

Mr. Roberts. Sold Pontiacs.

The Chairman. Is Dallas your home?

Mr. Roberts. Yes, sir.

The Chairman. How long were you selling Pontiacs?

Mr. Roberts. Approximately one year.

The Chairman. And before that time?

Mr. Roberts. I was clerk at the United Gas Pipeline Company.

The Chairman. When was that?

Mr. Roberts. That was for three years previous to the automobile business. I will say from 1941 back.

The Chairman. Is Dallas your home?

Mr. Roberts. Yes, sir.

The Chairman. Has it always been your home?

Mr. Roberts. For 28 years.

The Chairman. Do you know Herbert E. Arnold?

Mr. Roberts. Yes, sir.

The Chairman. Have you had any transactions with him that touched the matters we have been probing today?

Mr. Roberts. Yes, sir.

The Chairman. Will you tell us what you know about it?

Mr. Roberts. I bought a Pontiac from him and sold it

to Mr. Motley, and bought it back the next day.

The Chairman. What did you pay for the Pontiac?

Mr. Roberts. Yes, sir.

The Chairman. What did you pay for it?

Mr. Roberts. I paid ~~\$2500~~<sup>2400</sup> for it.

The Chairman. \$2400?

Mr. Roberts. Yes, sir.

The Chairman. And you sold it then to Mr. Roberts?

Mr. Roberts. Mr. Motley.

The Chairman. To Mr. Motley?

Mr. Roberts. For 2500.

The Chairman. For \$2500?

Mr. Roberts. Yes, sir.

The Chairman. Did you have any further relations in the matter?

Mr. Roberts. Yes. Next morning Mr. Arnold requested the car back, explaining to me that he had a political position and then I called Mr. Motley and bought the car back from him.

The Chairman. Can you add anything further to what you have said?

Mr. Roberts. Nothing important.

The Chairman. Any questions?

Senator Connally. No questions.

Senator Brewster. There is quite a discrepancy in the price there between your willingness to sell this Pontiac for

\$2500 and Mr. Motley's ability to sell it for \$3,000. Is there usually as wide a variation in market between two cities as that?

Mr. Roberts. Well, his was a retail deal and mine was wholesale.

Senator Brewster. That accounted for your small margin?

Mr. Roberts. Yes, sir.

Senator Brewster. How many cars do you handle normally?

Mr. Roberts. In a year -- well I have not been in the business quite a year. Approximately a car a day.

Senator Brewster. A car a day?

Mr. Roberts. Yes, sir.

Senator Brewster. Are those new or used?

Mr. Roberts. Both.

Senator Brewster. So you figure on a small margin?

Mr. Roberts. Yes, sir.

Senator Brewster. Did it surprise you that he was able to get \$3,000 for it?

Mr. Roberts. No, sir.

Senator Brewster. That was quite normal?

Mr. Roberts. Yes, sir.

Senator Brewster. So you felt it was a good trade getting it back for Mr. Arnold at a \$500 advance?

Mr. Roberts. Well, cars sell a little higher in Houston than they do in Dallas. That is about the normal market.



Senator Hawkes. Mr. Chairman, may I ask the witness a question?

The Chairman. Surely.

Senator Hawkes. Did you only do business with wholesalers?

Mr. Roberts. No, sir. Retail and wholesale.

Senator Hawkes. Did you ever sell cars retail?

Mr. Roberts. Yes, sir.

Senator Hawkes. Did you not know that you could sell that car without hardly turning a hand, in Dallas, for more than \$100 profit, if you sold it to some of the 1200 people around the waiting list?

Mr. Roberts. Not at that price, no.

Senator Hawkes. You could not sell it that high?

Mr. Roberts. Not likely. Maybe I could.

Senator Hawkes. Do you think the facts would substantiate your statement that there is \$500 difference in the market at Houston as compared with Dallas only 400 miles apart?

Mr. Roberts. I think so.

Senator Hawkes. With good roads where you can run a car down there, why would not all the cars be sold in Houston?

Mr. Roberts. I just explained that it was a retail dealer there. The car could have been retailed in Dallas for approximately the same if you had wanted to gamble on holding the car that long. The market is continually dropping.

Senator Hawkes. You also stated that you do a retail business yourself?

Mr. Roberts. That is right. I did not have a prospect for the car. If I had naturally I would have sold it for more money in Dallas.

Senator Hawkes. You did not try to get one, did you? It only took one day to make the sale.

Mr. Roberts. That is where Mr. Lewton comes into the picture.

Senator Brewster. What was his connection?

Mr. Roberts. His connection is that he had already talked to Mr. Motley and had sold the car to him.

Senator Hawkes. Before you bought it?

Mr. Roberts. Yes. Mr. Lewton and I split the \$100 profit.

Senator Hawkes. How could he sell the car to him before you bought it and before he could have it?

Mr. Roberts. Because he called Mr. Motley about the deal.

Senator Brewster. Where does the \$300 come in?

Mr. Roberts. What \$300?

Senator Brewster. I thought you said you split \$300?

Mr. Roberts. \$100.

Senator Hawkes. I want you to be sure you understand my point but you said the car had already been sold before you bought it. That is where Mr. Lewton comes in.

Mr. Roberts. Mr. Lewton had already left the lot and at

that time he called Mr. Motley to see if he would take the car and he agreed to take it.

In the meantime Mr. Arnold came to my lot. I took the automobile and drove it up to Mr. Lewton's lot and he said,

"That is the car that I just looked at a few minutes ago," and he said, "Let us send it down to Mr. Motley. We will make \$50 and let it go."

So the next morning the car was driven down to him.

Senator Hawkes. Did Mr. Lewton get anything out of this car?

Mr. Roberts. Yes, he got \$50.

Senator Hawkes. You split the thing with Mr. Lewton?

Mr. Roberts. Yes, sir.

Senator Hawkes. Fifty-fifty?

Mr. Roberts. Yes, sir.

Senator Brewster. That did not indicate any desire to move that car out of Dallas. I mean it is pretty -- it seems as though in Texas we always deal in rather large figures, and splitting \$50 apiece on a car in a market as hot as automobiles were then, seems almost as though you wanted to get rid of it.

Mr. Roberts. I have sold Mr. Motley lots of cars, and I have sold him sometimes a dozen cars in one transaction so that --

Senator Brewster. What did it cost you to drive it over there?

Mr. Roberts. Another man drove the car. I believe that Mr. Arnold paid him approximately \$30 expenses.

Senator Brewster. Did you not have to pay on the drive to Houston down?

Mr. Roberts. No. The buyer pays that. Mr. Motley pays that.

Senator Brewster. The buyer pays?

Mr. Roberts. Yes, sir.

Senator Brewster. So it was f.o.b. Dallas?

Mr. Roberts. Yes, sir.

Senator Barkley. May I ask you this: Mr. Arnold had taken -- I do not know that it takes any difference but I am curious to know: Mr. Arnold took the car over to Mr. Lewton first?

Mr. Roberts. I do not know whether it was first or not but anyway Mr. Lewton had already looked at the car, and they did not definitely get together on the price.

Senator Barkley. They did not definitely get together on it?

Mr. Roberts. That is right.

Senator Barkley. Then he drove it over to your place?

Mr. Roberts. That is right.

Senator Barkley. While he was driving it over there Mr. Lewton called up Mr. Motley at Houston and he agreed to take the car at \$2500?

Mr. Roberts. That is right.

Senator Barkley. And then he drove it back over to Mr. Lewton?

Mr. Roberts. No. I drove it back.

Senator Barkley. You drove it back to Mr. Lewton?

Mr. Roberts. Yes, sir.

Senator Barkley. And you split the hundred dollars between you?

Mr. Roberts. Yes, sir.

Senator Barkley. And another man took it down to Houston?

Mr. Roberts. That is right.

Senator Lucas. This is one of those quick sales at a quick profit?

Mr. Roberts. That is the idea. No chance, no gamble.

Senator Lucas. You make those every day, I take it?

Mr. Roberts. Yes, sir.

Senator Lucas. Similar transactions?

Mr. Roberts. Yes, sir, practically.

Senator Hawkes. May I ask the witness this question: would you make those every day on a brand new car when cars were in such demand that people were offering \$500 or \$1,000 premium on them, would you continue to do that kind of business on a \$50 split on a brand new car when they were so difficult to get?

Mr. Roberts. At that price they are not difficult to get.

Senator Hawkes. Well, they were everywhere I know.

Mr. Roberts. (Shaking head)

The Chairman. Did you have any better offers before you at the time?

Mr. Roberts. No, sir.

Senator Brewster. What was the profit that he had made on the sale to you?

Mr. Roberts. As I understand the list, that Mr. Arnold paid to Mr. Walls, \$1900 some-odd.

Senator Barkley. \$1982 is what he paid for it.

Senator Brewster. And he made \$400 and the fellow after you made \$500 and you in between made \$50?

Mr. Roberts. Yes, sir.

Senator Brewster. That does not reflect any on your merchandising ability?

Mr. Roberts. I do not know about that.

Senator O'Daniel. Who drove the car to Houston?

Mr. Roberts. A boy by the name of Sonny Wright.

Senator O'Daniel. Sonny Wright?

Mr. Roberts. Yes, sir.

Senator O'Daniel. And he was working for Mr. Motley?

Mr. Roberts. He was working for Mr. Lewton.

Senator O'Daniel. Who?

Mr. Roberts. Mr. Lewton.

Senator O'Daniel. Oh, Mr. Lewton.

Mr. Roberts. Yes, sir.

Senator O'Daniel. Well, who drove the car back?

Mr. Roberts. He did.

Senator O'Daniel. The same boy?

Mr. Roberts. That is right. He came back that same morning.

Senator O'Daniel. About what date or can you give us the exact date that you bought this?

Mr. Roberts. On the 23rd of December, this past December.

Senator O'Daniel. And sold it the same day?

Mr. Roberts. Yes. And shipped it down next morning.

Senator O'Daniel. Mr. Arnold brought the car down to you?

Mr. Roberts. Yes, sir.

Senator O'Daniel. He drove it down from Mr. Lewton's place over to your place?

Mr. Roberts. I assume that he did.

Senator O'Daniel. You assume he did?

Mr. Roberts. I do not know where he had been naturally.

Senator O'Daniel. You know that Mr. Arnold brought the car to you?

Mr. Roberts. That is right.

Senator O'Daniel. Had Mr. Arnold ever offered to sell you any other automobiles?

Mr. Roberts. He offered this Dodge that has been brought

up to me for sale.

Senator O'Daniel. What did he want for it?

Mr. Roberts. I do not recall.

Senator O'Daniel. Did he describe the Dodge for you?

Mr. Roberts. He was in the car.

Senator O'Daniel. He was in it?

Mr. Roberts. Yes.

Senator O'Daniel. You looked at it?

Mr. Roberts. Yes, sir.

Senator O'Daniel. How did it look?

Mr. Roberts. It had been wrecked. There was some chrome off of it. The reason I did not buy it there was some chrome off of it that could not be replaced at that time.

Senator O'Daniel. Where was the chrome off? How much of it? The bumper or --

Mr. Roberts. Yes. I believe it was the front bumper, and the hood was in pretty bad shape.

Senator O'Daniel. And you did not want to buy the car?

Mr. Roberts. No.

Senator O'Daniel. Did he make any price on it?

Mr. Roberts. I do not recall. I am sure that he did but I do not recall.

Senator O'Daniel. What time was that? What date?

Mr. Roberts. That was -- oh, I do not remember, a couple of weeks before Christmas.



Senator O'Daniel. Two weeks before he sold you this other one?

Mr. Roberts. Approximately. I do not remember exactly.

Senator O'Daniel. Do you know what he did with the Dodge?

Mr. Roberts. No, sir.

Senator O'Daniel. You do not know who bought it?

Mr. Roberts. No, sir.

Senator O'Daniel. Do you know where he purchased it?

Mr. Roberts. No, sir.

Senator O'Daniel. You do not know what he gave for it?

Mr. Roberts. No, sir.

Senator O'Daniel. You just know that he had it, that is all you know about it?

Mr. Roberts. Yes, sir.

Senator O'Daniel. And he wanted to sell it?

Mr. Roberts. That is right.

Senator O'Daniel. Did he offer you any other cars besides the Dodge and the Pontiac?

Mr. Roberts. He mentioned this Packard but I told him that they did not sell too well.

Senator O'Daniel. He mentioned he wanted to sell you the Packard too?

Mr. Roberts. He mentioned that he had a Packard. I do not recall whether he offered it for sale. I believe he asked me about what they would bring. I told him that I was not

interested in a Packard.

Senator O'Daniel. He was talking about it. That was your business, buying?

Mr. Roberts. Yes, sir.

Senator O'Daniel. You are taking for granted that he would have sold it?

Mr. Roberts. Yes, sir.

Senator O'Daniel. Did you see it?

Mr. Roberts. No, sir.

Senator O'Daniels. You did not see the Packard?

Mr. Roberts. No, sir.

Senator O'Daniel. And that was what date?

Mr. Roberts. I do not recall.

Senator O'Daniel. The same time?

Mr. Roberts. It was about that time.

Senator O'Daniel. About two weeks before you bought the Pontiac?

Mr. Roberts. About two weeks before Christmas.

Senator O'Daniel. Did he make the conversation about the Dodge and the Packard at the same time?

Mr. Roberts. He was in the Dodge and mentioned the Packard at that time.

Senator O'Daniel. Were there any other cars that he offered besides the Pontiac, the Dodge and the Packard?

Mr. Roberts. No, sir.

Senator O'Daniel. He did not offer you a Chevrolet?

Mr. Roberts. I believe that he has told Mr. Walls about a Chevrolet. I believe that at that time he had already sold the Chevrolet, his father's car.

Senator O'Daniel. Did he say anything about it?

Mr. Roberts. No, sir.

Senator O'Daniel. He did not say anything about the Chevrolet?

Mr. Roberts. No, sir.

Senator O'Daniel. You did not see the Chevrolet?

Mr. Roberts. I did not see the Chevrolet that I know of.

Senator O'Daniel. Do you know where he bought it?

Mr. Roberts. I do not know where he bought it.

Senator O'Daniel. Did anybody else talk to you about the same car?

Mr. Roberts. A friend of his, Mr. Miller works across the street in the Woodby-Conn Company and told me a friend of his had a Chevrolet for sale.

Senator O'Daniel. Mr. Miller?

Mr. Roberts. Yes, sir.

Senator O'Daniel. Where does he work?

Mr. Roberts. He works for the Woodby-Conn Company. That was the first I knew the person he mentioned was Mr. Arnold.

Senator O'Daniel. Do you know what connection Mr. Miller has with Mr. Arnold?

Mr. Roberts. I understand that Mr. Miller's wife is Mr. Arnold's secretary.

Senator O'Daniel. Mr. Miller's wife is Mr. Arnold's secretary?

Mr. Roberts. Yes, sir.

Senator O'Daniel. How many cars did Mr. Miller mention to you?

Mr. Roberts. He only mentioned the Chevrolet. He was with Mr. Arnold and I believe he came over with him in the Dodge.

Senator O'Daniel. Mr. Miller was with Mr. Arnold when he came in the Dodge?

Mr. Roberts. Yes, sir.

Senator O'Daniel. Was Mr. Arnold with Mr. Miller when Mr. Miller mentioned the Chevrolet?

Mr. Roberts. No. I believe Mr. Arnold was out of town at that time and Mr. Miller came over to my place, and told me that a friend of his had a new Chevrolet for sale and how much would I give for it.

Senator O'Daniel. And what did you tell him?

Mr. Roberts. I told him if it was like he described it, that I would give \$2200 for it. Then he never did bring the car there. I never did see it.

Senator O'Daniel. Was that before Mr. Arnold brought the Dodge over?

Mr. Roberts. I had never seen Mr. Arnold at that time.

Senator O'Daniel. You had never seen him?

Mr. Roberts. At that time, no.

Senator O'Daniel. It was before he brought the car over?

Mr. Roberts. Yes, sir. I did not know who his friend was at that time. I have learned that since, of course.

Senator O'Daniel. And you paid \$2400 for this car?

Mr. Roberts. Yes, sir.

Senator O'Daniel. Now, you say that Mr. Arnold came down there, and Mr. Lewton, came down there to see you about getting this car back, and you said he had political troubles?

Mr. Roberts. Yes.

Senator O'Daniel. How did he explain his political troubles to you? What did he tell you about that?

Mr. Roberts. He told me about this Mr. Truitt, in Amarillo, getting him the car, and that it would cause him trouble if he did not get the car back.

Senator O'Daniel. How did he say Mr. Truitt got the car for him?

Mr. Roberts. Through Mr. Walls. His influence with Mr. Walls.

Senator O'Daniel. With Mr. Walls.

Mr. Roberts. Yes.

Senator O'Daniel. And that he was in political trouble and wanted to get the car back?

Mr. Roberts. Yes, sir.

Senator O'Daniel. And he wanted you to find out what it would cost --

Mr. Roberts. That is right.

Senator O'Daniel. -- to regain this car?

Mr. Roberts. Yes, sir.

Senator Barkley. Did you say originally that Mr. Arnold said that he had political trouble, or that he had a political job?

Mr. Roberts. He said that he had a political job.

Senator Barkley. That is what I would understand you to say.

Mr. Roberts. And that it would cause him trouble if he did not regain the car.

Senator Barkley. I see.

The Chairman. Any further questions?

Senator Barkley. When he brought this car in to sell it to you, did he tell you that he had this other car that he bought and ordered?

The Chairman. He told me he had a Packard.

Senator Barkley. That he had two cars and wanted to sell one of them?

Mr. Roberts. He told me he would not be able to keep two cars.

Senator Barkley. And that was the reason for selling this

car to you?

Mr. Roberts. Yes, sir.

Senator Lucas. He told you that he had the Packard?

Mr. Roberts. Yes, sir.

Senator O'Daniel. Did you ever see anyone else using those two cars?

Mr. Roberts. No, sir, I do not believe so.

Senator O'Daniel. Do you know Mr. Arnold's father?

Mr. Roberts. No, I do not.

The Chairman. Any further questions?

Senator O'Daniel. Is that all you know about the whole transaction?

Mr. Roberts. I believe it is.

The Chairman. Do you wish the witness to remain?

Senator O'Daniel. Not longer than today.

Mr. Roberts. I have a plane reservation if I can leave.

The Chairman. Senator O'Daniel, we have a tradition in this committee of being as considerate as possible with witnesses. I hope we will not keep witnesses here any longer than we have to keep them here.

Senator O'Daniel. I have no wish to keep him. I thought he might remain if he could.

The Chairman. Does anyone wish the witness to remain?

(No response)

The Chairman. Is Abb O. Brabham in this room?

Mr. Brabham. Yes, sir.

TESTIMONY OF ABB O. BRABHAM

ATLANTA, TEXAS

The Chairman. Come forward please. You are Mr. Abb O. Brabham of Atlanta, Texas?

Mr. Brabham. Yes, sir.

The Chairman. Will you raise your right hand and be sworn, please?

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Brabham. I do.

The Chairman. You may be seated please.

What is your business, Mr. Brabham?

Mr. Brabham. Automobile business.

The Chairman. At Atlanta, Texas?

Mr. Brabham. Yes, sir.

The Chairman. How long have you been in that business?

Mr. Brabham. Since the fall of 1925.

The Chairman. Retail or wholesale?

Mr. Brabham. Retail.

The Chairman. What line of automobiles do you deal in?

Mr. Brabham. Chevrolets and Buicks.

The Chairman. Have you ever had any transactions with Mr.



Herbert E. Arnold?

Mr. Brabham. Yes, sir.

The Chairman. Will you tell us about them please?

Mr. Brabham. Along in April 1946 I met Herbert over at Shreveport at the East Texas Chamber of Commerce meeting. I happen to be a Director in the East Texas Chamber of Commerce and had known him a good while and was talking to him and naturally he was asking me how my business was and things like that and I told him it was doing pretty good, that we were getting in a few cars now, in the meantime I asked him how his father was.

I knew his father you know. And we were talking and I said:

"If I can do you any good at any time I will be glad to do so. If you need a car I will be glad to work you in on one."

He said, if I remember correctly, he said he would probably need one: "I might buy one for my father later on."

The Chairman. When was this conversation?

Mr. Brabham. Sir?

The Chairman. When did you have this conversation?

Mr. Brabham. In April 1946.

The Chairman. In April 1946?

Mr. Brabham. Yes, sir.

The Chairman. This was at Shreveport?

Mr. Brabham. At Shreveport, Louisiana.

The Chairman. Go ahead.

Mr. Brabham. Later on in the year, I think it was November, I met him in Texarkana, I happened to be up there and he was there you see, and I got to talking and I asked him how his father was getting along and he said, "Well he was doing fair."

And I said, "Well, I am getting in some more cars now and probably could deliver you one if you need it," and we talked on and had dinner together and he bought one for his father.

That is the way it was represented to me and I sold it to him for his father, you see.

The Chairman. Was the title of the car transferred to his father?

Mr. Brabham. It was not while it was in Atlanta. I do not know whether it was after he left there or not.

The Chairman. What exactly happened to the car at the time you sold it? Who did you deliver it to?

Mr. Brabham. I delivered it to Herbert Arnold.

The Chairman. To the father or the son?

Mr. Brabham. To the son.

The Chairman. Herbert Arnold?

Mr. Brabham. Yes, sir.

The Chairman. Did he appear as the owner of the car at that time?

Mr. Brabham. Did he what?

The Chairman. Did he appear as the owner of the car at that time?

Mr. Brabham. No, sir.

The Chairman. Who appeared on your records as the owner of the car?

Mr. Brabham. Naturally he had to appear as the owner for this reason: we had a license too. The county seat is 14 miles from our town you see and we buy the license at Linden, but we have a substation in our place to handle car licenses, you see.

Well I asked him if he wanted it registered. He said, "Well not necessarily so." He said, "I will have it registered in Greenville." That is Hunt County. I said, "Well, Herbert, if it does not make any difference with you I would like to have you register the car here." Our dealership and I suppose other dealerships are the same way so far as the factory is concerned -- the value of our dealership and our operation is based on the registrations of the cars we sell -- over competition, you see.

In other words, when the factory man comes in he will not ask me how many cars I have sold this month but "How many registrations have you got?"

The Chairman. What was the town of delivery for this car? At what town was this car delivered to Mr. Arnold?

Mr. Brabham. Atlanta, Texas.

The Chairman. And was it registered in that county in Mr. Arnold's name?

Mr. Brabham. Yes, sir.

The Chairman. Did he pay you for the car at that time?

Mr. Brabham. Yes, sir.

The Chairman. How much did he pay you?

Mr. Brabham. \$1519 I believe it was.

The Chairman. Was that the regular price?

Mr. Brabham. Yes, sir.

Senator Hawkes. May I ask: did he pay you by check?

Mr. Brabham. I could not say how he paid for it because I was in my office and we were talking and somebody else was out there waiting and I called the bookkeeper in there who fixes up the papers and asked him to complete the transaction with Mr. Arnold.

The Chairman. Will you tell us again what the date was? What was the date of the purchase?

Mr. Brabham. November 22, I think.

The Chairman. What year?

Mr. Brabham. 1946. Senator, if you care to, I will show you why I registered it in his name -- that is, knowing the transaction like I did. You see, in Texas we have to make application for a certificate of title, you see. Well, we cannot make application for a certificate of title unless a man in per-

son signed it, you know, the owner of the car. Well, his father was in Greenville, you see, and he was in Atlanta, and that has to be signed before a notary public, you see.

The Chairman. Did you know his father?

Mr.Brabham. Yes, sir.

The Chairman. How long had you known him?

Mr.Brabham. I imagine 15 years.

The Chairman. How old a man is his father?

Mr.Brabham. Well, I do not know for sure. He must be around 70 or 73.

The Chairman. Have you anything else to add to your testimony?

Mr.Brabham. No, sir.

The Chairman. I want to go into this again. Did Mr. Arnold pressure you in anyway into selling this car?

Mr.Brabham. No, sir, absolutely not.

The Chairman. I gathered from your earlier testimony that you rather took the initiative --

Mr.Brabham. That is right.

The Chairman. --in making it known to him that you would be glad to sell him a car?

Mr.Brabham. That is right.

The Chairman. Did you do that because of his position as Collector of Internal Revenue?

Mr.Brabham. No, sir, absolutely not.

Senator Hawkes. Did you have any other people waiting for delivery of cars?

Mr. Brabham. I have a waiting list, I take a list, but I started early, you see, taking a list, but I would skip every third car, you see.

Senator Hawkes. Why would you do that?

Mr. Brabham. Well, I started taking orders even before the war was over, and I thought it would be a good idea to do that, to skip every third car -- I have that, 1, 2, 3 and leave it blank you know -- because I knew there would be a lot of soldiers coming back later on that did not have an opportunity to be there and put up a deposit and naturally I thought I would favor them to some extent and for that reason I left every third car out so I could dispose of it as I saw fit.

Senator Hawkes. But you knew that Mr. Arnold was not a returning soldier, did you not?

Mr. Brabham. I am a little bit hard of hearing.

Senator Hawkes. I say you knew Mr. Arnold was not a returning soldier?

Mr. Brabham. Well, I had sold quite a few that was not.

Senator Hawkes. I understand but you knew he was not a returning soldier?

Mr. Brabham. I knew he was not.

Senator Hawkes. And yet you had people on the waiting list who were waiting for cars?

Mr. Brabham. Yes. I have got them yet.

Senator Hawkes. Why would you go out and try to sell a car for somebody -- whether you pressured them or not -- when you had people on the waiting list to get a car? That is what I cannot understand.

Mr. Brabham. The first 22 cars I delivered, outside of those third ones I would hold out, 11 of them were resold, you see, so pretty soon I did not pay so very much attention to that list.

Senator Hawkes. I might say to you that I am in the United States Senate and I was on a waiting list for ten months and finally gave the thing up.

Mr. Brabham. If you had been from Texas you would not have been on there long if you had contacted me.

Senator Hawkes. Do I understand by that that you would pay some attention to a United States Senator down in Texas?

Mr. Brabham. Well, not necessarily so.

Senator Lucas. You just do not know the right people.

Senator Hawkes. If he were the right Senator you would.

Mr. Brabham. I would, yes.

The Chairman. Any further questions?

Senator Connally. Did Mr. Arnold afterwards say anything to you about having sold the car?

Mr. Brabham. Later on I was over in Dallas.

Senator Connally. That his father was ill of heart

disease and could not drive it?

Mr. Brabham. Yes, sir he told me about it.

Senator Connally. Tell us about that.

Mr. Brabham. Later on I was in Dallas and went up to see him and he told me his father was sick, and he said I started to call you and tell you I was going to have to dispose of that car. He said I wanted to bring it back.

I said, "That is all right, Herbert, I do not care what you did with the car. You paid me for it. It is yours.

Besides that, there is a new model coming out pretty soon and I understand that we are going to have a little better production."

I was wrong in that respect. And so far as I was concerned you know it was perfectly agreeable with me for him to sell the car because after I learned his father was ill and I wanted to go by to see his father that afternoon and he advised me not to do it, that the doctor had advised him not to have much company.

Senator Hawkes. Do you remember when that was, how long after he got it? You say he got it on November 22, you think. And when did he see you there and tell you his father could not drive it and he wanted to sell it?

Mr. Brabham. Sometime around the first of December.

Senator Hawkes. Only a few days after he bought the car?

Mr. Brabham. Only a few days. I do not recall the date.



Senator Lucas. But the point is he did call you up after he wanted to sell the car and told you about the condition of his father and offered to return the car to you if you wanted it. Is that correct?

Mr. Brabham. I did not say that, did I?

Senator Lucas. What was it you said?

Mr. Brabham. I went up in his office you know and he told me he had disposed of the car and was sorry he did it, and he started to call me. I said it was all right, I would have told you to sell it if you had called me. I did not care anything about the car back.

In other words, I wanted to comply with my standard form of price and if I had bought it back I would not have made anything on it so I did not see any reason why I should want it back.

The Chairman. Any further questions?

Senator O'Daniel. You say he had already sold it when you saw --

Mr. Brabham. I suppose he had, yes.

Senator O'Daniel. I thought you just said he told you he had sold it and you said, "That is all right with me?"

Mr. Brabham. Yes, it was.

Senator O'Daniel. Did he tell you when he sold it?

Mr. Brabham. No, sir, he did not.

Senator O'Daniel. On December 1 is when he told you

he had sold it?

Mr. Brabham. I said about December 1 or thereabouts.

I do not remember those dates.

Senator O'Daniel. Did he tell you what he got for it?

Mr. Brabham. No, sir, I did not ask him.

Senator O'Daniel. Did he tell you to whom he sold it?

Mr. Brabham. No, sir.

Senator Hawkes. Do you know now to whom he sold it?

Mr. Brabham. No, sir.

Senator Hawkes. When he paid you this \$1519 --

Mr. Brabham. I think, Senator, there were some extras on that. Maybe a radio and a heater. In other words, when they are in my office and I close a transaction for a car and write out the car sale and turn it over to the sales manager or the bookkeeper whoever is there, then it is up to the other boys to sell them whatever they can, radio, heater, seat covers, or what not. So I do not know what all he got on it. He probably got a radio and a heater, but the price of the car is \$1519.

Senator Hawkes. That is the price of the car without the additional accessories?

Mr. Brabham. That is right.

Senator Hawkes. Was that the ceiling price?

Mr. Brabham. Yes, sir.

Senator Hawkes. The ceiling price was still on?

Mr. Brabham. I do not think it is, but I used it. I

used the suggested factory delivered price.

Senator Hawkes. When did the ceiling prices go off?

Mr. Brabham. I guess they went off when the OPA went off.

Senator Hawkes. What date, do you remember?

Mr. Brabham. I do not know. They went off I know.

Senator Hawkes. Right after the election was it not -- soon after the election. Did he pay you anything additional besides that price of \$1519?

Mr. Brabham. No, sir. He might have paid for some accessories in the cost department but so far as the cost is concerned he paid \$1519 for it and a few cents, I do not remember.

Senator Hawkes. How long had you known Mr. Arnold?

Mr. Brabham. About 15 years.

The Chairman. May I ask, if it is not prying into unrelated matters: Why did you call on Mr. Arnold? If it is prying into unrelated matters I will withdraw the question.

Mr. Brabham. I have a little acquaintance up in the Post Office Building there and while I was there I just thought I would go by and see how his father was getting along and how he liked the car, you see. That is the reason. I do not make it a practice to go there, you see.

The Chairman. You had no business with him having to do with cars?

Mr. Brabham. No, sir.

Senator O'Daniel. Mr. Brabham, did you know Mr. Davis,

the Deputy Collector at Texarkana?

Mr. Brabham. Yes, I know him.

Senator O'Daniel. Did you ever sell him any cars?

Mr. Brabham. I sold him one, yes, sir.

Senator O'Daniel. When?

Mr. Brabham. I do not recall what date.

Senator O'Daniel. Approximately when did you sell it to him?

Mr. Brabham. I imagine in September, or probably August.

Senator O'Daniel. August or September 1946?

Mr. Brabham. Yes, sir.

Senator O'Daniel. You sold him a Chevrolet?

Mr. Brabham. Yes, sir.

Senator O'Daniel. Is that the only car you ever sold him?

Mr. Brabham. I think we sold him a Buick. I am not sure.

Senator O'Daniel. A Buick?

Mr. Brabham. Yes.

Senator O'Daniel. When did you sell him that Buick?

Mr. Brabham. I could not say on that because I was away in California last summer, or the latter part of the spring and I know the transaction took place when I was in California.

Senator O'Daniel. When were you in California?

Mr. Brabham. I was out there in June and the early part of July.

Senator O'Daniel. June or July?

Mr. Brabham. . July or August, I think.

Senator O'Daniel. What year was that?

Mr. Brabham. 1946.

Senator O'Daniel. 1946?

Mr. Brabham. Yes, sir.

Senator O'Daniel. Then during June, July or August, or during July or August, 1946, while you were away, your company sold Mr. Davis a Buick?

Mr. Brabham. There was one sold to him, sir. I will tell you Senator, there are a lot of things that take place around there that unless I have some specific reason for collecting on it, it might go a long time before I found it you know.

Senator O'Daniel. I realize that, Mr. Brabham. I am just trying to find out how many cars Mr. Davis was trading.

Senator Lucas. How is this relevant, Mr. Chairman?

The Chairman. Who is Mr. Davis?

Mr. Brabham. He worked for the Internal Collector in Texarkana. He has got an office there.

The Chairman. In Texarkana?

Mr. Brabham. Yes, sir.

Senator Hawkes. In other words, he is under Mr. Arnold?

Mr. Brabham. I suppose he is.

Senator Hawkes. And you know of two automobiles? Do you know of any more that Mr. Davis bought?

Mr. Brabham. No, sir, I do not.

Senator Hawkes. You know of those two?

Mr. Brabham. Yes, sir.

Senator Hawkes. Did Mr. Davis ever say anything to you about Mr. Arnold wanting a car?

Mr. Brabham. No, sir, he did not say anything.

The Chairman. Senator O'Daniel, are you laying a foundation for showing that the cars which Mr. Davis bought were bought in behalf of Mr. Arnold?

Senator O'Daniel. That is within the realm of possibility. I am trying to find out whether all of the deputies -- Mr. Arnold and all of his deputies -- or some of them are or were trading in automobiles promiscuously.

Senator Lucas. If you start on these fishing expeditions we will never get through.

The Chairman. So far as you know, was the car or the cars you sold to Mr. Davis, purchased on behalf of Mr. Arnold?

Mr. Brabham. Positively they were not.

The Chairman. Have you sold any other cars to anyone else who is a subordinate employee to Mr. Arnold?

Mr. Brabham. No, sir.

Senator Hawkes. May I ask a question in there? Did Mr. Davis keep both of these cars?

Mr. Brabham. I could not say, Senator. I think he lived out around Sherman, sir.

Senator Hawkes. I do not care where he lived. What I

am trying to find out is whether Mr. Davis was a man who could afford to keep two cars, and having bought two new cars within a period of three or four months, did he keep them or what happened to them, do you know?

Mr. Brabham. I could not say.

Senator Hawkes. An automobile man usually knows what a fellow does with his car?

Mr. Brabham. Do what, Senator?

Senator Hawkes. I say an automobile man usually keeps track of my cars.

Mr. Brabham. If he was within my zone of influence naturally I would do that, you know, but he is out.

Senator Hawkes. May I ask another question:

Was Mr. Davis a man financially able to keep two cars, in your opinion?

Mr. Brabham. I never inquired into his finance.

The Chairman. Did he pay cash for the cars?

Mr. Brabham. He paid me cash, yes.

Senator Barkley. How far is your agency from where he lived -- Sherman we will say?

Mr. Brabham. About 200 miles.

Senator Barkley. How far is it from Texarkana?

Mr. Brabham. 25 miles.

The Chairman. Have you had any trouble with the Collector of Internal -- I beg your pardon. Had you finished?

Senator Barkley. Do you understand me? How far is Texarkana from your agency?

Mr. Brabham. 25 miles.

Senator Connally. He lives at Sherman.

Senator Barkley. I know. That is 200 and some odd miles.

Mr. Brabham. Sherman is about 200, you see.

Senator Barkley. But Atlanta where you live or have your agency is about 25 miles from Texarkana?

The Chairman. Do you have any relations with the Collector's office in Texarkana?

Mr. Brabham. I hope not.

The Chairman. Do you have?

Mr. Brabham. I do not, no, sir.

The Chairman. Have you had any difficulties with that office?

Mr. Brabham. No, sir.

The Chairman. Any pending matters in the office?

Mr. Brabham. No. About five or six years ago I had to go out and pay them a little more than I turned in.

The Chairman. Have you had any anticipated difficulties coming up with the office?

Mr. Brabham. Not according to my auditor.

Senator O'Daniel. Do you know whether the automobiles that Mr. Davis bought from you were registered in Texarkana?

Mr. Brabham. They were registered in Cass County, my county.



Senator O'Daniel. They were registered in Cass County?

Mr. Brabham. Yes, sir.

Senator O'Daniel. Atlanta?

Mr. Brabham. Yes, sir.

Senator O'Daniel. And his home is in Greenville?

Mr. Brabham. Not in Greenville. Some town between Sherman and Dallas. I do not know what town it is.

Senator O'Daniel. Not in Atlanta?

Mr. Brabham. No, sir.

Senator O'Daniel. Not in Cass County?

Mr. Brabham. No, sir.

Senator O'Daniel. Then he registered the car in a place where he did not live?

Mr. Brabham. As I stated a while ago I tried to register every car I sold. If you bought one from me and lived in Washington, D.C. I would have insisted that you register that car in Cass County.

Senator O'Daniel. Is that not a violation of the Texas law?

Mr. Brabham. No, sir.

Senator O'Daniel. It is not.

Mr. Brabham. No, sir.

Senator O'Daniel. Does not the Texas law provide that you must register your automobiles in the county in which you live?

Mr. Brabham. Well, so far as Davis is concerned he is traveling, you know, and it may be a law, I am not familiar with that, but if it is it is certainly violated quite a bit.

Senator O'Daniel. You have urged them to register there when you say you did not know that was the law but you urged them to register there.

Mr. Brabham. If it is I have been violating it a good while.

The Chairman. Senator, I think we are getting a little afield.

Senator O'Daniel. All right. I will ask you this then: you stated in your affidavit that your quota is based on your registrations?

Mr. Brabham. That affidavit was worded a little wrong, and I thought about it after I made it, you see. It should have been based on the performance of my dealership with the factories based on the cars registered in my zone of influence. That is really the way that should have been worded.

Senator O'Daniel. Isn't that a fact that your quota was based on your purchases in 1941?

Mr. Brabham. It is based, absolutely based on our purchase in 1941.

Senator O'Daniel. Then registering them in your county would not have anything to do with your quota, would it?

Mr. Brabham. Probably would not have anything -- as I say I wanted to correct that but I did not have an opportunity

because I am not familiar -- or used to making out affidavit forms you see, and you could make some error in that respect, you see, through ignorance, not wilfully, but the performance of my dealership with the factory was based on the cars registered in my zone of influence, because Chevrolet especially is fighting for leadership, and the only accurate account they get is from the registrations compiled by Oriole Poke and Company and sent into headquarters.

The Chairman. Senator O'Daniel, I suggest this has nothing to do with the issue before the committee unless you propose to connect it up with Mr. Arnold.

Senator O'Daniel. It has succeeded in causing him to repudiate and state he made a mistake in the affidavit that has been placed in the record here.

The Chairman. Does that go to the impeachment of the witness or does that reflect on Mr. Arnold?

Senator O'Daniel. I do not know what you consider it, Mr. Chairman, but he testified that his quota was based on the registrations in his county and he has been urging Mr. Arnold and others to register in Cass County in order to hold up his quota when he now says his quota was based on his purchases in 1941.

The Chairman. Let us assume that the witness has made a mistake. What has that to do with Mr. Arnold?

Senator O'Daniel. It has this to do, Mr. Arnold made a

mistake or violation of the law in registering the car in Cass County.

Mr. Brabham. I do not think that is any violation. I have never heard of anybody being prosecuted for it.

Senator O'Daniel. I guess possibly there would be a way to check and find out definitely whether or not that is the law.

Mr. Brabham. I could not say.

The Chairman. We do not have that law before us. I believe we will save time if we do one of two things. If the point is that Mr. Arnold violated the law, that we get the law before us, if that is not the point then I believe we are making a futile pursuit of something that is not relevant.

Senator O'Daniel. Do you know, Mr. Brabham, whether the car, the Chevrolet that you sold to Herbert E. Arnold, was ever transferred to his father?

Mr. Brabham. I do not know anything about it, no.

Senator O'Daniel. Do you know anything about Mr. Arnold having any other cars?

Mr. Brabham. I did not ask him. I did not make an investigation.

Senator O'Daniel. You do not know anything about his other car transactions?

Mr. Brabham. No, sir. He did tell me that he did not need a car that he had one.

Senator O'Daniel. I asked you that because we have a record of four cars that he testified he purchased in the last year.

Mr. Brabham. As I said, Senator, our transaction was not the car for Herbert Arnold. It was for Earl Arnold, his father. That was the deal that we made, you see, and had that specific understanding, you see.

Senator O'Daniel. It has been intimated by somebody that there were six cars and I am asking you if you know about any other cars.

Mr. Brabham. No, I do not know.

Senator O'Daniel. You do not know if these two that Mr. Davis bought were included or not? I am trying to find out. But anyway we have the four and that is all you know about the transactions of Mr. Arnold?

Mr. Brabham. The only thing I know about Mr. Arnold is the transactions he and I had.

Senator Lucas. When it came to selling automobiles you did not discriminate against these boys in Internal Revenue service?

Mr. Brabham. No, sir. What did you say?

Senator Lucas. You did not discriminate against a man simply because he held a job in the Internal Revenue office when it came to selling automobiles?

Mr. Brabham. I have sold Congressmen and Senators and a

lot of them call, you see.

Senator Connally. When he told you that his father had had this heart attack and that the doctor had advised him he would not drive his car you told him you did not care whether he sold, that you had gotten your profit and it was not any concern what he did with it, is that right?

Mr. Brabham. That is right.

Senator Lucas. When you talked to him about buying a car he told you he did not need one?

Mr. Brabham. That is right and I was asking him about his father, you see.

The Chairman. Does anyone wish the witness to remain?

(No response)

The Chairman. You are excused. Thank you.

TESTIMONY OF A. F. TRUITT,  
AMARILLO, TEXAS

1 ps10 The Chairman. Mr. Truitt. You are A. F. Truitt of Amarillo, Texas?

Mr. Truitt. Yes, sir.

The Chairman. Will you hold your hand up and be sworn? Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Truitt. I do.

The Chairman. Be seated, please.

You have heard the testimony given here today.

Mr. Truitt. Yes, sir.

The Chairman. First, let me ask you, what is your business?

Mr. Truitt. I own the Buick dealership in Amarillo, also Royal Crown Bottling Company.

The Chairman. Repeat that, please.

Mr. Truitt. R. C. Cola and Buick dealership. Royal Crown Bottling Company.

The Chairma. At Amarillo?

Mr. Truitt. Yes, sir.

The Chairman. And how long --

Mr. Truitt. Well, I have a partner. I have a controlling interest in the bottling business.

The Chairman. How long have you been in that business?

Mr. Truitt. Bottling business?

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The Chairman. At Amarillo.

Mr. Truitt. Since 1943.

The Chairman. What were you doing before then?

Mr. Truitt. I had the Pontiac dealership in Amarillo.

The Chairman. For how long?

Mr. Truitt. About a year. I bought it just about the --  
well, I bought it --well I say it was a partnership business.  
I mean it was a corporation. I had a third interest in it.

The Chairman. And you were in it about a year?

Mr. Truitt. Yes, sir.

The Chairman. Before that, what were you doing?

Mr. Truitt. I also built a theater in Amarillo.

The Chairman. A theater?

Mr. Truitt. A suburban theater.

The Chairman. How long were you in the theater business?

Mr. Truitt. I built it in '39 and sold it in '42.

The Chairman. Were you in the automobile business at the  
same time?

Mr. Truitt. Yes, sir.

The Chairman. What automobile business?

Mr. Truitt. Pontiac.

The Chairman. And before then?

Mr. Truitt. Before that, I had a department store.

The Chairman. At Amarillo?

Mr. Truitt. No, sir. In Hobbs, New Mexico.



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The Chairman. Were you in the automobile business at that time, also?

Mr. Truitt. No, sir.

The Chairman. How long were you in that business?

Mr. Truitt. I opened that store on, let's see, I think it was on the 19th day of June, 1936 and sold it to the Dunlap Company, which is a chain operator, in July of 1938, I believe it was. About the 10th of July.

The Chairman. Prior to your department store experience, had you been in the automobile business?

Mr. Truitt. No, sir.

The Chairman. What are your relations with Mr. Herbert E. Arnold?

Mr. Truitt. Not any, except I have known him for -- Oh, I have known him personally for the last -- Oh, I guess it was either in June or July of last year.

The Chairman. Are you personal friends?

Mr. Truitt. Well, yes, sir. We have been. Of course, I have known of Mr. Arnold. I mean I have just known him and known him -- haven't known him personally except since about June or July of last year. I have forgotten just when.

The Chairman. You have heard the testimony as to these various car transactions?

Mr. Truitt. Yes, sir.

The Chairman. Which one are you familiar with?

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Mr. Truitt. I am familiar with the one that Mr. Walls delivered.

The Chairman. Involving the Packard?

Mr. Truitt. No, sir, involving the Pontiac.

The Chairman. Will you tell us what you know about that?

Mr. Truitt. Mr. Powell, in Amarillo, called me up and told me that Mr. Arnold needed an automobile and I believe they were talking business, or something, I do not know what the deal was, but he said he was talking about Mr. Arnold over the telephone and said that Mr. Arnold needed an automobile, and I said,

"Well, Mr. Powell, I am in a pretty bad spot up here." I said, "We are not getting very many cars," and I did not suggest bothering about I. W. because I had been in a meeting with I. W. --

The Chairman. That is, with I. W. Walls?

Mr. Truitt. Yes, sir. He is president of the Texas Automobile Dealers Association, and I am on the Board of Directors, and I had -- in fact, Mr. Walls -- we had a meeting up in Amarillo and Mr. Walls attended this meeting and we were talking about the automobiles.

The Chairman. That is an automobile trade association meeting?

Mr. Truitt. That is right, yes, because I am a director for that district up there and I called all the dealers in and Mr. Walls came up and made a talk, so to make a long story short,

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I told Mr. Powell, I said,

"I know I. W. down there and I think he is getting quite a few cars and -- ", well, in the first place -- first what I did was call Oran Buick at Dallas, to see if they could deliver one. Harry Lacy, the manager down there, told me it would be about two or three or four weeks before he could deliver him one possibly.

Then I called Mr. Arnold back and asked Mr. Arnold, would he take a Pontiac. I say 'called Mr. <sup>Oran</sup> Buick', I had not talked to Mr. Arnold, I talked to Mr. Powell.

So I said, "I do not know when I can deliver you a Buick, and I talked to Oran <sup>dealer</sup> Buick at Dallas and Harry didn't give me too much satisfaction about when he could deliver you a car."

The Chairman. That is a Buick?

Mr. Truitt. A Buick, that is right.

So I called up Mr. Arnold and asked him would he take a Pontiac.

The Chairman. Where was Mr. Arnold at that time?

Mr. Truitt. He was in Dallas.

The Chairman. And you called him from Amarillo?

Mr. Truitt. I called him from Amarillo, yes, sir.

The Chairman. All right.

Mr. Truitt. So I asked him would he take a Pontiac or would he care for a Pontiac and he said yes, a Pontiac would be all right. I said I am sorry we cannot sell you a Buick, but, I

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said, our quota up here is pretty low. Of course we try to take care of our own customers.

So I just picked up the phone and called I. W. I told I. W., I said, "I. W., Herbert Arnold, at Dallas, Collector of Internal Revenue, he needs an automobile, could you deliver him one?"

He said, "Yes, I think I can deliver him one."

I said, "Well, fine, if you can. I will appreciate it and maybe I can return the favor for you sometime --," so, well, I just forgot about the deal, and about -- oh, it was just a few days after that, Mr. Walls called me up and told me Mr. Arnold had sold the automobile.

Well, of course, he was pretty mad and I did not blame him because really, I was just about as made as he was when he got through talking, because I just picked up the phone immediately and I called Mr. Arnold and I guess I will have to take the blame for him getting scared and going to buy the car, because I really told him what I thought about him over the telephone.

Of course, I did not know the facts of the case. I mean I did know he had received the Packard. I did know that. So I just let out. I never will forget.

The Chairman. What did you say to him?

Mr. Truitt. Well, the first thing, I said, "Herb, this is Art Truitt, up in Amarillo."

L 7.

He said, "Did you get my Christmas Card?"

I did not give him a chance to get that out of his mouth until I jumped on him. I said, "Walls told me you sold that Pontiac. He will do everything to keep you from getting confirmed." I said, "I do not blame him much." I was really mad, really and truly, because I did not know the true facts of the case.

The Chairman. What did he say?

Mr. Truitt. So I asked him to go up and see Mr. Walls immediately. Well, of course, I just forgot about the deal -- I would not say forget about it, but I guess, oh, it was ten days later I was down in Dallas and I called on Mr. Walls and I said, "Did you see Mr. Arnold and get the automobile deal straightened out?"

He said "No, he has not been up to see me." I was down at the Baker Hotel, I believe, in room 506, and I called up Mr. Arnold and Mr. Arnold said, "Where are you?"

I said, "I am over at the Baker Hotel."

He said, Listen, I would like to come over and talk to you."

Well, of course, Mr. Walls had told me that he had bought the car back when I talked to him before I called Mr. Arnold.

The Chairman. Mr. Arnold had bought the car back?

Mr. Truitt. Yes, sir. Mr. Walls told me that he understood that he had bought the car back, so Mr. Arnold came over to the hotel and sat there and told me the whole story.

L 8

The Chairman. What did he tell you?

Mr. Truitt. He told me that -- he said he got the Packard on the same day -- well, in other words, he was up to Amarillo and -- well now, the fact about it, I came down to Dallas the day that he went to Amarillo to get the Packard, so I have found out later.

The Chairman. What I am trying to get at, what did Mr. Arnold say to you?

Mr. Truitt. He told me he had got a Pontiac. He said he went up to Amarillo and picked up this Packard and said when he got back to Dallas he had the Pontiac, and he said he could not keep both cars, he said it had already been listed, and he said that he discussed it with his wife, and he said his wife wanted to keep the Packard and he said, "I just tell you, I hated to call up Mr. Walls and tell him I would rather keep the Packard than to keep the Pontiac" and he said he was sorry he sold it and told me he was, and I said, "The thing to do is to see Mr. Walls and explain it to him." Because when I talked to him over the telephone -- he tried to tell me about the deal, and I was pretty burned up.

The Chairman. In the room when you were talking together, did he tell you he bought the car back?

Mr. Truitt. Yes. He told me he paid \$600 plus \$30 and something to get the car back from Houston.

The Chairman. And you suggested that the both of you go

L 9      over and see Mr. Walls?

Mr. Truitt. Yes. I said, I called up I. W. to ask him to deliver this car and I think we ought to go over there."

He said, "I have tried to contact Mr. Walls several times, but," he said, "I had talked to his secretary or information bureau, but I have never been able to get a hold of him," or something to that effect.

I said, "Herb, let's go right now." I picked up the phone and called Mr. Walls, and I said, "I. W., Mr. Arnold is at my room and I would like to bring him up there."

The Chairman. Did you go to see Mr. Walls?

Mr. Truitt. Yes, sir. We went right up to see him.

The Chairman. Tell us what occurred and who said what.

Mr. Truitt. We got into the office there and he told Mr. Walls the same story he told me down at the hotel, and if I remember correctly, Mr. Walls told him, he said, "Listen, Mr. Arnold, you don't owe me anything. If you owe anybody anything, you owe it to Art Truitt. He called me up to deliver this automobile to you and I did. You paid me your own good money for the car," or something like that, but Mr. Walls was pretty sore about it, and I could see his side of it.

The Chairman. Did Mr. Arnold offer to return the car in your presence?

Mr. Truitt. Yes, sir. He said, "I got the car back." He said, "I went and bought it back." He said, "I guess I made

L 10 a mistake. I didn't want you to be mad with me." Of course, I really --

The Chairman. What did Mr. Walls say?

Mr. Truitt. He said, "I don't want the car back." I believe that is when he said, "You paid me your own good money for it." But he said, "If you want to keep the car, you keep the car."

The Chairman. Did you hear Mr. Walls say, "I don't want it back unless you are going to sell it again?"

Mr. Truitt. I think that is right, yes, sir. He said something about that. Of course, we sat down there and talked for an hour or an hour and a half there, and there was so much said there, but I know Mr. Walls said, "If you want to keep the car, you go ahead and keep the car," because Mr. Arnold was trying to satisfy Mr. Walls on the deal there, and he says,

"I went and bought the car back and paid -- ", I don't know whether he quoted in the office what he paid for it, but he had told me what he paid for it in the office.

The Chairman. Did you have any business in the Collector's office pending at that time?

Mr. Truitt. No, sir.

The Chairman. Any now?

Mr. Truitt. No, sir.

The Chairman. Any anticipated?

Mr. Truitt. I don't think I have any. Not as far as I



L 11

know. I know one thing, I do not -- well, let's see, I was checked up until the first of this year.

The Chairman. Have you had any part of any of these other car transactions that you have heard testimony on?

Mr. Truitt. No, sir. Of course, I did tell you this:

That I -- because until I found out the true facts of the thing, I was pretty burned up over it, Mr. Chairman, but after I found out the true facts of the case and actually what happened, well, of course, as I stated before, if I had been Mr. Arnold, I would not have bought the car back, but I think I am partly responsible for that, because I really did tell him what I thought about him, I am frank to tell you I did.

The Chairman. Any questions?

Senator Hawkes. Mr. Truitt, do you remember when you were here before, as I recall it, you said that you were very angry, or sorry -- whichever expression you used -- and so was Mr. Walls, and that you asked Mr. Arnold why he did not tell Mr. Walls he had the Packard when he took the Pontiac?

Mr. Truitt. No, sir. He did not have the Pontiac. He did not have the Packard.

Senator Hawkes. I understood you to say that he got the Packard over in Amarillo that day and then his secretary went and got the Pontiac that afternoon. That is what I understood.

Mr. Truitt. No, sir. Mr. Arnold was up at Amarillo when the Packard was delivered to him. That is the true fact of it.

L 12

Senator Hawkes. Yes, but I mean you see -- maybe it was the next morning -- his secretary went and got the Pontiac the same afternoon as I understood it -- that is what I have understood from all the testimony -- the same afternoon of the day he got the Packard in Amarillo.

Mr. Truitt. Well, I know -- of course, from what I found out about it was that the Pontiac was delivered to him while he was in Amarillo and when he got back to Amarillo that day or the next morning -- I do not know whether he got back that day.

Senator Hawkes. You mean when he got back to Dallas?

Mr. Truitt. The Pontiac was delivered to his secretary.

Senator Hawkes. That is what I am saying and you say you asked him why he did not <sup>sell</sup> ~~seel~~ the Packard if he did not need the Pontiac.

Mr. Truitt. Yes, sir.

Senator Hawkes. That is what I am saying. You agreed with me that he should have done that.

Mr. Truitt. I think he should have called him up, yes, sir.

Senator Hawkes. In other words, he knew that Mr. Walls had a waiting list of some 1200 people --

Senator Barkley. How would he know that?

Senator Hawkes. Because he was told it according to the evidence presented here.

Mr. Truitt. I do not know whether he was told about the waiting list, but he did tell Mr. Arnold -- I have both cars --

L 13

he said he had talked it over with his wife and she wanted to keep the Packard and he hated to go back and tell Mr. Walls.

After I found out the true facts of the case, I changed my mind about it really and truly.

Senator Hawkes. Let me ask you a question because I agree with the Chairman we are getting toward the end of the day.

If Mr. Arnold did not know there was a waiting list and it was hard to get cars, why did he come to Amarillo and intercede with you to get him a car?

Mr. Truitt. He did not come up to Amarillo. Powell was the one that called me. I was the first one that called Mr. Arnold. I could not deliver him a Buick. We keep a list there but we do not number them.

Senator Hawkes. Let us get right down to my little question. I think it can be answered very quickly.

Why did he come to Mr. Powell and get Mr. Powell to come to you and get you to go to Mr. Walls if he did not know that it was hard to get a car from Mr. Walls, because other people were on the list before him?

Mr. Truitt. I imagine that that is right.

Senator Hawkes. It could not be otherwise.

Mr. Truitt. I do not think he knew Mr. Walls. I do not think Mr. Arnold knew Mr. Walls at all.

The Chairman. Did Mr. Arnold know that you had called up Walls?

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Mr. Truitt. No, sir. He certainly did not. Oh yes. I did. I called Mr. Arnold, you know, and I told Mr. Powell I could not deliver him a Buick and I talked to Harry Lacy, the Buick dealer down at Dallas, and Harry said, "I don't know when we can deliver you one," and I called Mr. Arnold myself and asked him would he take a Pontiac.

Senator Hawkes. So far as you know, when Mr. Powell talked to you, did Mr. Arnold know that when Mr. Powell talked to you, that you in turn would call Walls and try to get a car?

Mr. Truitt. No, sir. He did not know it whatsoever. That is right.

Senator Hawkes. You mean so far as you know?

Mr. Truitt. Well, I don't think so, because when Powell talked to me about it, I just picked up the phone and called Harry Lacy and then I turned around and called -- there wasn't over thirty minutes time, I don't think between both calls.

The Chairman. You called the Buickman first?

Mr. Truitt. Yes, sir, I called Harry Lacy first in Dallas. He is the general manager for the Oran Buick Company.

The Chairman. So far as you know, was there any reason why Mr. Arnold would think that if Powell called you to try and get a car that you in turn would call up Mr. Walls in Dallas?

Mr. Truitt. No, sir. When I talked to Mr. Arnold, I just asked him would he take a Pontiac, because it just dawned on my mind about Walls and I being together and Walls was telling

L 15 me he was getting quite a lot of cars. I think he got around 1200 last year or something like that.

Well, heck, I only got 63 cars. So he was telling me about getting a lot of cars so I figured --

The Chairman. I am driving toward the single point whether as far as you know, Mr. Arnold had any reason to believe that when Powell approached you to get a car for him that you in turn would call the Pontiac man in Dallas?

Mr. Truitt. No, none whatsoever, definitely, that is right.

Senator Barkley. Are there any facts connected with this whole transaction so far as you know or have heard down in Texas, that would lead you to believe that he bought these two cars for the purpose of selling one of them at a profit?

Mr. Truitt. No, sir, I do not think so. I will tell you that is one thing I went into very thoroughly because that was one thing that I wanted to check and satisfy myself on because if I -- I personally would have been one of the first, I think to have criticized him for it if I had thought definitely that he was, you know, getting the cars for resale.

Senator Lucas. You made a pretty thorough check of that whole situation?

Mr. Truitt. Yes, sir, I sure did and I toiled with that, too.

Senator Lucas. You felt responsible in one sense of the word for this boy buying back that car and as a result of that

L 16

responsibility, you immediately checked into the whole situation?

Mr. Truitt. Yes, sir, that is exactly it and exactly the reason I say that I am really the only one responsible for him buying the car back because I picked up the telephone and I called him and I mean I was pretty sore.

Senator Lucas. You were going on the theory at that time that he had resold this car for a profit?

Mr. Truitt. That is right. Just like a man would come up and say he would call me up to deliver him an automobile, and then go right out and sell it for a \$500 profit. I can see Mr. Walls side of it.

As I stated up here before, I think I stated practically the same statement that Mr. Walls told you here, the best I remember --

Senator Hawkes. Did you know that he had the Chevrolet and the Dodge in addition to these two cars?

Mr. Truitt. I did not know that at the time but since then I found it out.

Senator Hawkes. You did not think there was anything peculiar about a man buying four cars in two months on a salary that was not too high?

Mr. Truitt. I satisfied myself on it that it was O.K. That is the reason I checked it as best I could.

The Chairman. Senator O'Daniel?

Senator O'Daniel. Are you pretty well acquainted with Mr.

L 17

Powell?

Mr. Truitt. Yes, I know him very well.

Senator O'Daniel. What is his position?

Mr. Truitt. I do not know just what his title is, but he is with the Collector of Internal Revenue there.

Senator O'Daniel. Who was the Collector there?

Mr. Truitt. He was under Ralph Keniston. Keniston died recently.

Senator O'Daniel. Did you ever sell any car to Powell?

Mr. Truitt. No, sir, I never did.

Senator O'Daniel. Do you know what kind of car he has?

Mr. Truitt. No, sir, I could not tell you.

Senator O'Daniel. Do you know what date the Packard was delivered in Amarillo to Mr. Arnold?

Mr. Truitt. I think it was delivered around -- the best I could find out from talking to Mr. Southworth, it was around the 17th or 18th.

Senator O'Daniel. December 17th or 18th?

Mr. Truitt. Yes, sir, because I called Mr. Southworth when I found out about it -- about the deal.

Senator O'Daniel. Do you know how it was paid for?

Mr. Truitt. No, sir, I do not.

Senator O'Daniel. You say that you met Mr. Arnold when?

Mr. Truitt. I have known of him for quite a long time.

Senator O'Daniel. How did you know of him?

L 18

Mr. Truitt. Well, just knowing his -- through friends of mine -- I mean like Cornell coming up there and Swenson. Of course, they handle all of my business. All of my income tax and everything is handled by Cornell up there, but I knew Mr. Arnold -- I mean really got to knowing him personally sometime in June or July of last year.

I do not remember.

Senator O'Daniel. How did you get acquainted with him?

Mr. Truitt. I met him in Dallas.

Senator O'Daniel. How? Who introduced you?

Mr. Truitt. I went in there to see Mr. Arnold. I declare I do not remember whether it was June or July, on some tax matters of a corporation that we had up there.

Senator O'Daniel. What was the matter? What corporation was it?

Mr. Truitt. The Spikes Truitt Pontiac Company.

Senator O'Daniel. What was the trouble.

Mr. Truitt. We dissolved that corporation in -- let's see -- I can't give you the exact dates, but I can tell you about -- I mean approximate dates -- but we liquidated and closed out the Pontiac dealership there in 1942 and Oscar Randall owned a third of the stock and I owned a third and John Spickes owned a third.

In other words, it was a three-way corporation.

The Chairman. Never mind those details. What is your



L 19

question, Senator?

Senator O'Daniel. The question is what he went to see Mr. Arnold about.

Mr. Truitt. I will be glad to tell you about that, but I will have to tell you why, see. We dissolved the corporation in about a year, because all the assets had been distributed. In other words, the corporation closed completely out but the Collector of Internal Revenue there collected the dissolution of this corporation. All right. They came in and said that we owed them \$3,000 more tax on this corporation and they showed us why.

I think because, one thing, our auditors handled it -- in other words, we put in \$21,000 in the corporation, and -- but I think we had to declare a value of \$30,000.

When it was dissolved, we took the \$30,000 out and the result was we had \$9,000 profit.

The Chairman. The end result was they had a claim against you?

Mr. Truitt. Yes. Each stockholder was individually responsible for the full \$3,000, is my understanding.

The Chairman. Senator O'Daniel, what are you driving toward in this line of questioning?

Senator O'Daniel. I am just trying to find out something about Mr. Arnold.

Mr. Truitt. I will be glad to tell ahead and tell it. It

L 20

will not take me but a minute.

The Chairman. What are you trying to find out about Mr. Arnold?

Senator O'Daniel. Trying to find out whether he is qualified as internal revenue collector.

The Chairman. I have got to rule that it is irrelevant unless you can show what you intend to show. We do not want a fishing expedition here.

Senator O'Daniel. It is not a fishing expedition at all. I know what I am talking about and I am trying to get it from the witness.

Mr. Truitt. Myself and Oscar Randall, we agreed with the Collector of Internal Revenue. We agreed that we did owe them \$3,000 more. So John Spickes, one of the partners, would not agree to it, in other words, to this settlement.

In other words, Mr. Randall and myself, we felt like we owed it. In other words, there was not any money in the bank, there was no corporation, so each one of us according to Mr. Keniston up there in Amarillo, each one of us was responsible for the whole \$3,000. I mean that is the point I got.

Well, Mr. Spickes, he was -- he had a few cattle and he had a home and an automobile out there. He might not have been worth hardly as much money --

The Chairman. Senator O'Daniel, what do you intend to show by this witness?

L 21

Senator O'Daniel. Just what he is showing.

The Chairman. What he is showing is not relevant.

Senator O'Daniel. He had an interview and went down to Dallas to see Mr. Arnold.

I am trying to find out what he went to see him about.

Mr. Truitt. Let me tell you this. It will only take a minute.

The Chairman. Senator O'Daniel, unless you intend to show that he went to see Mr. Arnold about something that has some relevancy to this case, your questions are out of order.

We can not follow the footsteps of this witness all over the State of Texas and go all through his ramified personal affairs.

Senator O'Daniel. Do you not think it means something, Mr. Chairman, as to how he got acquainted with Mr. Arnold and why he had such an affection for him?

The Chairman. It would if you have any theory that has relevance to this case, but just to sit here and ask these questions --

Senator O'Daniel. Well, Mr. Chairman, if you do not want me to ask any questions --

The Chairman. You have not been denied the opportunity to ask questions, Senator, but we must keep this on the bullseye.

Senator Hawkes. Mr. Chairman, may I say this:

I think you have been extremely fair in the permission of questions. I think, however, that Senator O'Daniel is trying

L 22

to show that Mr. Truitt, -- and by his own statements he has shown it -- that Mr. Truitt had a case before the internal revenue office, of which Mr. Arnold was the acting collector.

Mr. Truitt. That is right.

The Chairman. That has been shown.

Senator Hawkes. That is right. I think that has been shown. Now, I agree with the Chairman that we do not want to ramble all over Texas unless you have got some other thing you want to show. To my mind, it has been demonstrated by Mr. Truitt's own statement that he had a case in which there was an argument about \$3,000 before the Internal Revenue Office in Dallas, Texas and that is where he went down to see Mr. Arnold.

Senator Barkley. May I ask you for my own information whether anything took place between you and the Collector in regard to your tax case, or any favors were conferred upon you by him that put you under any obligation to him in any way or would in any way color your testimony?

Mr. Truitt. None, whatsoever. But here was the deal -- let me tell you this because I think -- Mr. Ralph Keniston up there said, "Listen, you and Oscar Randall, you have got the money up here in the bank and I am not going to run down John Spickes to get his \$3,000. Each one of you are individually responsible" and I sat down and talked to Ralph and I said, "Mr. Spickes got just as much out of the corporation as I or Mr. Randall did, and I think he should pay the \$3,000 if we owe

L 23           it and let us pay it." He took the attitude of the least resistance, so I went down there and explained it to Mr. Arnold, and Mr. Arnold asked me did Mr. Spickes get as much as Mr. Randall and I did. "Did he get as much of the profits? Did he own a third of the stock?"

I said, "Yes." He said, "Mr. Keniston is right. I think each one of you are individually responsible but I think if he got the same out of the corporation that you two did, I think he should be made to pay his part. Mr. Keniston is right that each one of you is fully responsible."

Senator Hawkes. Who finally paid it?

Mr. Truitt. I do not know what happened. I know when I left the office and I went back home two or three days, Mr. Keniston called me up and said, "I have Mr. Spickes' check for \$1,000, you two come up and give us yours," and we did.

And that was the last of it.

Senator Barkley. In other words, you settled it according to the terms of the Collectors Office?

Senator O'Daniel. Thank you, Mr. Barkley. That is what I was asking the man and I am glad to get his answer and I want to know now if that favorable settlement that you got in Dallas had any bearing on you writing me a letter, July 2, 1946, reading as follows -- do you want to identify this letter, Mr. Chairman?

The Chairman. Yes.

L 24                    Senator Barkley. Did you regard that as a favorable settlement?

Mr. Truitt. Of course, the settlement had been already made. It was just a matter of us paying John Spicke's part on the deal.

Senator Barkley. Each one of you put up a thousand and paid three thousand?

Mr. Truitt. Mr. Keniston let us put up our thousand but he would not do it. I went on back home and I guess Mr. Arnold instructed Mr. Keniston what to do about it but anyway, they got the thousand from him and we paid our thousand plus interest.

The Chairman. I hand you a letter dated July 2, 1946, and addressed to Senator O'Daniel, purporting to contain the signature of A. H. Truitt.

Did you sign the letter?

Mr. Truitt. Yes, sir.

The Chairman. Is it your letter?

Mr. Truitt. Yes, sir, that is my letter.

Senator O'Daniel. Mr. Truitt says on the stand that he got what we went after, then he went back home and wrote this letter.

Senator Barkley. Frankly, I do not think that is a fair interpretation of what Mr. Truitt said.

Senator O'Daniel. He just got through telling me.

The Chairman. The facts of the testimony will speak for themselves and the committee will interpret the facts.

L 25

Senator O'Daniel. "I was in Dallas last Friday and had the pleasure of meeting Mr. Herbert E. Arnold, Acting Collector of Internal Revenue. I am sure you know that Mr. Arnold is Acting Collector since the death of Mr. Thomas.

I would certainly appreciate it if you would use your influence in getting Mr. Arnold appointed as permanent collector. He is certainly a swell person and is very fair in his dealings. I think the district would be very fortunate to have him as their collector. Anything that you can do in his behalf would be appreciated.

Very truly yours,

A. H. Truitt"

Mr. Truitt. I think I wrote Senator Connally, too, the same letter.

The Chairman. Proceed, Senator O'Daniel.

Senator Lucas. Was there anything in this transaction that you had with the Internal Revenue Office that caused you to write these two letters endorsing this man?

Mr. Truitt. Yes, sir, I will tell you frankly because of the fairness that Mr. Arnold handled this deal, that was exactly one reason that I wrote the letters.

Senator Lucas. You paid the amount that the Internal Revenue said you boys owed?

Mr. Truitt. That is right.

Senator Lucas. It was a question solely of how it should

L 26

be distributed between the three of you?

Mr. Truitt. Yes, sir, that is right exactly.

Senator Hawkes. Was there ever any demand for more than you paid at any time?

Mr. Truitt. No, sir.

Senator Hawkes. Did it start out with the same demand or did it end with the original demand?

Mr. Truitt. We agreed right off the deal when they checked us. Mr. Randall and I agreed to it and Mr. Spickes, he just never did say but we signed it, and I do not know whether John ever signed for a settlement on it but Mr. Randall and I did, because when they showed us the figures, and of course, I could see very well why we owed it, because we took out \$30,000 in the corporation when we actually only put \$21,000 in it. But we are incorporated for thirty.

The Chairman. It was made on the term laid down by the Collector?

Mr. Truitt. When they checked it.

The Chairman. And the question was how you fellows would distribute the cost among yourselves?

Mr. Truitt. There was \$3,000 more tax plus interest. That was the whole deal. Mr. Keniston, up there, with all due respect to him, he is dead now, he said it is up to you to get your money out of Mr. Spickes.

Senator O'Daniel. That is what Mr. Arnold told you, you



L 27 said he was right?

Mr. Truitt. He was right. He said, "Each one of you was responsible for the same amount."

Senator O'Daniel. And he assisted you by getting a settlement made, each one of you paying a \$1,000, is that right?

Mr. Truitt. Yes, sir.

Senator Barkley. In other words, each one of you were responsible for the \$3,000. Morally, each of you was responsible for a \$1,000?

Mr. Truitt. Morally, we were, yes, sir, each one of us was responsible.

Senator Barkley. Each one of you among the three owed a \$1,000 to make up the \$3,000?

Mr. Truitt. That is right.

Senator Barkley. That is the way it was paid?

Mr. Truitt. That is the way it was paid.

Senator Lucas. The government could have held any one of the three of you for \$3,000?

Mr. Truitt. Oh, yes. They could have taxed me or Mr. Randall for the whole amount. In other words, each stockholder was responsible for the whole amount.

Senator Lucas. Who is the next witness?

The Chairman. Any further questions, Senator O'Daniel.

Senator O'Daniel. No, thank you.

The Chairman. May the witness be excused?

L 28

(No response)

The Chairman. You are excused, and thank you for coming.

Senator Connally. Mr. Chairman, it will take but a very short time. I have a witness here, Mr. West. He is a prominent accountant in Texas, down in Longview. I think it will take but a short time.

The Chairman. All right, sir. Come around. You are Mr. C. L. West?

Mr. West. Yes, sir.

The Chairman. Where is your home?

Mr. West. Longview, Texas.

The Chairman. Will you raise your hand and be sworn.

L 29

## TESTIMONY OF C. L. WEST

LONGVIEW, TEXAS

The Chairman. Will you hold your hand up and be sworn? Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. West. I do.

The Chairman. Be seated please. What is your business, please?

Mr. West. Public Accountant. Practicing Public Accountant.

The Chairman. How long have you been a public accountant?

Mr. West. Since 1920.

The Chairman. Are you listed in the State of Texas?

Mr. West. Yes, sir.

The Chairman. Do you engage in general accounting practice?

Mr. West. Yes, sir.

The Chairman. What are your relations with Herbert E. Arnold?

Mr. West. None other than just in the general practice of accounting.

The Chairman. Have you had business before his department?

Mr. West. I have been in his office and out of his office and talked to him and so forth.

The Chairman. Have you had personal contact with Mr. Arnold in connection with your business?

L 30

Mr. West. Yes, sir.

The Chairman. What is your opinion of Mr. Arnold as an administrator?

Mr. West. I have found him fair and eager to take care of the tax payer, his needs and his wants.

The Chairman. From your slant, is he a competent man in that job?

Mr. West. Very competent.

The Chairman. Are you acquainted with his reputation in Texas or in your own community?

Mr. West. Yes, sir.

The Chairman. What is it?

Mr. West. It is very good.

The Chairman. Have you heard any criticism or complaints against Mr. Arnold?

Mr. West. None whatever.

The Chairman. Except what you have heard here?

Mr. West. None whatever.

The Chairman. None whatever?

Mr. West. No, sir.

The Chairman. Have you had the usual run of luck and bad luck in his office, or has it all been good luck?

Mr. West. Well, just in the general practice of accounting. It comes and it goes.

The Chairman. Do you have any reason to feel that he has

L 31 favored you?

Mr. West. No, sir. He has not.

The Chairman. Are you personally acquainted with him?

Mr. West. Yes, sir. Not too well, but just --

The Chairman. You are not what might be called personal friends?

Mr. West. Not intimate.

The Chairman. Any questions?

Senator Connally. I want to ask him a question.

What if any, position do you hold among the accountants?

Mr. West. I am first vice-president of the Texas Association of Public Accountants.

Senator Connally. How long have you known Mr. Arnold?

Mr. West. Well, I would say five years.

Senator Barkley. Do your duties as a public accountant call for you to go there as an accountant who had examined the books of corporations or individuals who had tax matters before the Collector?

Mr. West. Yes, sir.

Senator Barkley. And the evidence was, I suppose, as in most cases, just whatever the disagreements were?

Mr. West. Whatever the difficulty might be.

Senator Barkley. In some case, you won, in some cases, you did not?

Mr. West. Yes, sir. Sometimes we had our way and sometimes

L 32

they had theirs.

Senator Barkley. That is true in the courts.

Mr. West. Yes, sir.

The Chairman. Senator O'Daniel?

Senator O'Daniel. Mr. West, are you related to Floyd West in Dallas?

Mr. West. No, sir.

Senator O'Daniel. No relation at all?

Mr. West. No, sir.

Senator O'Daniel. That is all.

The Chairman. You are excused. Thank you. Pardon me.

Senator Connally. There is one other. Mr. Koepcke.

Is he here?

The Chairman. Thank you very much for coming.

Mr. West. Am I excused.

The Chairman. You are excused.

L 33

## TESTIMONY OF HENRY S. KOEPCKE

DALLAS, TEXAS

The Chairman. What is your name, please?

Mr. Koepcke. Henry S. Koepcke.

The Chairman. Where do you live?

Mr. Koepcke. Dallas, Texas.

The Chairman. Will you hold your hand up and be sworn?

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Koepcke. I do.

The Chairman. Be seated, please.

What is your business?

Mr. Koepcke. I am a practicing public accountant.

The Chairman. Where do you practice?

Mr. Koepcke. In Dallas and north Texas.

The Chairman. How long have you been practicing there?

Mr. Koepcke. Since 1929.

The Chairman. Are you listed to practice your profession in Texas?

Mr. Koepcke. Yes, sir.

The Chairman. And before that time, what was your business?

Mr. Koepcke. I was a public accountant in Denver, Colorado.

The Chairman. You had a very good reputation in Denver.

Mr. Koepcke. Thank you, sir.

L 34

The Chairman. Are you acquainted with Herbert E. Arnold?

Mr. Koepcke. I have known him off and on since I have been practicing in Dallas.

The Chairman. Have you had business relations in his office?

Mr. Koepcke. Quite a good deal.

The Chairman. Have you consulted him in that business?

Mr. Koepcke. Frequently.

The Chairman. Did he treat you courteously?

Mr. Koepcke. Yes, sir.

The Chairman. Did he seem to have a grasp of his business?

Mr. Koepcke. I think he has one of the best grasps I have had the pleasure of meeting.

The Chairman. Did he treat you fairly?

Mr. Koepcke. Yes, sir.

The Chairman. You say your business expedited?

Mr. Koepcke. Yes, sir.

The Chairman. Were you uniformly successful?

Mr. Koepcke. No, sir.

The Chairman. Do you feel that Mr. Arnold has favored you in any way?

Mr. Koepcke. No, sir.

The Chairman. Are there any other questions?

(No response)

The Chairman. Thank you. Senator Lucas?

Senator Lucas. Do you think the Senate confirmed this man



L 35

as a result of your experience there from time to time in his office, because he would carry on the duties in a trustworthy and business-like manner?

Mr. Koepcke. I very definitely do.

Senator Lucas. And that he would make a good collector of internal revenue?

Mr. Koepcke. I feel that he is very well qualified for the job.

L 36

## TESTIMONY OF OLIN P. McWHIRTER

## GREENVILLE, TEXAS

The Chairman. What is your name, please?

Mr. McWhirter. Olin P. McWhirter.

The Chairman. Where do you live?

Mr. McWhirter. Greenville, Texas.

The Chairman. Will you hold your hand up and be sworn?

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. McWhirter. I do.

The Chairman. Be seated, please.

What is your business?

Mr. McWhirter. Attorney-at-law.

The Chairman. Where?

Mr. McWhirter. Greenville, Texas.

The Chairman. How long have you been an attorney there?

Mr. McWhirter. Since 1913.

The Chairman. Have you always been there? Is that your home?

Mr. McWhirter. No, sir. I was born in Dallas.

The Chairman. Born in Dallas?

Mr. McWhirter. Yes, sir.

The Chairman. Have you been a lawyer all of your mature life?

L 37

Mr. McWhirter. Yes, sir.

The Chairman. Did you practice at Dallas before you went to -- is it Greenville?

Mr. McWhirter. Yes.

The Chairman. Did you practice at Dallas?

Mr. McWhirter. No, sir.

The Chairman. You have had your whole practice at Greenville?

Mr. McWhirter. No, sir.

The Chairman. Do you follow any particular branch of law or are you engaged in general practice?

Mr. McWhirter. General practice.

The Chairman. Do you have tax business?

Mr. McWhirter. I do.

The Chairman. Are you acquainted with Mr. Herbert E. Arnold?

Mr. McWhirter. I am.

The Chairman. What relations have you had with him?

Mr. McWhirter. I have had occasion to be in the office and get information on tax matters.

The Chairman. You met him personally in that connection?

Mr. McWhirter. Yes, sir.

The Chairman. Do you feel that your contacts with him put you in a position to express a competent opinion on his qualifications?

L 38

Mr. McWhirter. Yes, sir.

The Chairman. What is your opinion of him?

Mr. McWhirter. It is good. Excellent.

The Chairman. Are you acquainted with his general reputation in your own community or on a broader basis so far as integrity is concerned?

Mr. McWhirter. Yes, sir.

The Chairman. What is it?

Mr. McWhirter. It is good.

The Chairman. Have you heard any -- other than you may have heard at this hearing -- have you heard any criticism of Mr. Arnold's administration of his office?

Mr. McWhirter. None whatever.

The Chairman. Are there any questions?

Senator Barkley. Have your contacts with him been since he was made acting Collector, or have you had contact with him before that?

Mr. McWhirter. Before and since.

The Chairman. Before and since?

Mr. McWhirter. Yes, sir.

Senator Connally. May I interject here that Mr. Arnold is a native of Greenville where you live?

Mr. McWhirter. Yes, sir.

Senator Connally. I suppose you have known him since he was a boy?

L 39

Mr. McWhirter. That is correct, I have.

Senator Connally. Pardon me, for interrupting.

Senator Barkley. From your experience with him and your observations of the method of the performance of his duties before he was appointed as a director, did you have the opinion at the time that he was competent to make a good Collector if he were appointed?

Mr. McWhirter. Yes, I did.

Senator Barkley. This was a promotion, I believe, from the regular force there, was it not?

Mr. McWhirter. Yes, sir.

Senator Barkley. He has been in the service since '33?

Mr. McWhirter. Yes, sir.

Senator Barkley. All right.

Senator Lucas. You have this long time acquaintance with this man?

Mr. McWhirter. I have.

Senator Lucas. And you have a knowledge of his reputation for truth and veracity and uprightness and morality in that community?

Mr. McWhirter. Yes, sir.

Senator Lucas. Is that good or bad?

Mr. McWhirter. It is excellent.

Senator Lucas. I want to ask you another question. Are you acquainted with the two senators, Senator Connally and

L 40

Senator O'Daniel?

Mr. McWhirter. I am, sir.

Senator Lucas. Did you manage Senator O'Daniel's campaign in your county at one time?

Mr. McWhirter. I had charge of the Texas Regulars in 1944 in Hunt County.

Senator Lucas. That is as I understand, Senator O'Daniel is one of the Texas regulars.

Mr. McWhirter. He was.

Senator Lucas. And you managed his campaign?

Mr. McWhirter. I wouldn't say I managed his campaign, but I was there and managed the Texas Regulars campaign and introduced the Senator when he spoke at Greenville.

Senator Barkley. What are the Texas Regulars?

Mr. McWhirter. The true Democrats of Texas.

Senator Barkley. The regular boys?

Mr. McWhirter. Yes, sir.

The Chairman. Senator O'Daniel?

Senator O'Daniel. If Mr. Lucas is greatly interested in the political situation in Texas, I could possibly take a little time, if the Chairman will permit.

The Chairman. I hope you do not.

Senator Lucas. I was just bringing it out. I know the Senator was too modest to tell the group here that this man handled his campaign.

L41

Senator O'Daniel. I am glad to have him state he was running the Texas Regulars because I was not running for any office. I was trying to defeat the fourth term for the New Dealers, and the Texas Regulars are the true Democrats, not the New Dealers, and I have nothing to ask.

The Chairman. You are excused.

Senator Connally. Is Mr. Lovinggood here?

L 42

## TESTIMONY OF L. E. LOVINGGOOD

DALLAS, TEXAS

The Chairman. What is your full name, please.

Mr. Lovinggood. L. E. Lovinggood.

The Chairman. Where do you live?

Mr. Lovinggood. Dallas, Texas.

The Chairman. Will you hold your hand up and be sworn?

Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Lovinggood. I do.

The Chairman. Where is your home?

Mr. Lovinggood. Dallas, Texas.

The Chairman. What is your business?

Mr. Lovinggood. Certified Public Accountant.

The Chairman. Listed in the State of Texas?

Mr. Lovinggood. Yes, sir.

The Chairman. How long have you been practicing in Dallas?

Mr. Lovinggood. Since I first started public accounting in 1929.

The Chairman. And have you been continuously at Dallas since then?

Mr. Lovinggood. Not continuously, but for a while I was vice-president of the Dallas Joint Stockland Bank.

The Chairman. Do you know Mr. Herbert E. Arnold?



L 43

Mr. Lovinggood. Yes, sir.

The Chairman. Have you had contact with him in his official position?

Mr. Lovinggood. Yes, sir.

The Chairman. Will you tell us about them, please?

Mr. Lovinggood. In my work as a certified public accountant and tax practice, I have frequent occasion to deal with the Collector's Office, as well as with the agent's office, and I have had very satisfactory contacts with them and with the officials in that office other than Mr. Arnold.

The Chairman. Have you had personal contacts with Mr. Arnold in connection with your cases?

Mr. Lovinggood. Occasionally.

The Chairman. Is he courteous?

Mr. Lovinggood. Very.

The Chairman. Does he seem to have a comprehension of his business?

Mr. Lovinggood. Very good comprehension, sir.

The Chairman. Did he treat you fairly whether or not he agreed with you?

Mr. Lovinggood. Yes, sir.

The Chairman. Do you know his reputation in accounting circles in Dallas?

Mr. Lovinggood. Yes, sir.

The Chairman. What is it as to integrity?

L 44

Mr. Lovinggood. For two years, I was secretary of the Dallas chapter of Certified Public Accountants, and one of my unpleasant duties was to contact all of the certified public accountants for meetings and luncheons which we might have, and became very well acquainted with them through long practice.

I have yet to hear a certified public accountant criticize Mr. Arnold or any of the other officials of the Collector's Office.

The Chairman. Have you heard them express praise for him?

Mr. Lovinggood. Yes, sir. They appreciate the services which are being rendered.

The Chairman. Are you in a position to testify as to his general reputation in Dallas for integrity?

Mr. Lovinggood. Yes, sir. I have known him since Texas University days.

The Chairman. What is his reputation in Dallas for integrity?

Mr. Lovinggood. His reputation is good. Very good.

The Chairman. What is the general opinion as far as you have become acquainted with it in Dallas, as to his qualifications for a job of this kind?

Mr. Lovinggood. Eminently qualified.

The Chairman. Any questions?

(no response)

The Chairman. Senator O'Daniel?

Senator O'Daniel. No questions.

E 45

The Chairman. Thank you very much. You may be excused.

Thank you very much for coming.

Any further questions. Senator Connally?

Senator Connally. I think that is all except I have some documents I thought we could put in later -- afterwards.

The Chairman. Come forward Mr. Arnold.

Senator Connally. Is it your purpose to continue right on?

The Chairman. Yes, I would like to get this finished, because the rest of the week is so full of other business that I doubt whether we will have another opportunity.

Senator Connally. I have no objection. There are so few senators here now, though.

L 46

## TESTIMONY OF HERBERT E. ARNOLD

DALLAS, TEXAS

The Chairman. Are you Herbert E. Arnold?

Mr. Arnold. Yes, sir.

The Chairman. Of Dallas, Texas.

Mr. Arnold. Yes, sir.

The Chairman. Will you hold your hand up and be sworn? Do you swear, by the ever-living God, that the testimony you will give in the pending proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Arnold. I do.

The Chairman. You are the Acting Collector of Internal Revenue for the second district of Texas?

Mr. Arnold. Yes, sir.

The Chairman. How long have you held that office?

Mr. Arnold. About thirteen months.

The Chairman. Prior to that time, what were you doing?

Mr. Arnold. Chief Office Deputy. Chairman in the office.

The Chairman. How long did you hold that position?

Mr. Arnold. Approximately four years.

The Chairman. Prior to that time.

Mr. Arnold. Chief of the Income Tax Division.

The Chairman. How long did you hold that position?

Mr. Arnold. About four years.

The Chairman. And prior to that time?

L 47

Mr. Arnold Chief of the Miscellaneous Tax Division, or Assistant Chief of the Income Tax Division, it was.

The Chairman. Prior to that time?

Mr. Arnold. Chief of the Miscellaneous Tax Division.

The Chairman. Prior to that time?

Mr. Arnold. I was an auditor.

The Chairman. In the Office?

Mr. Arnold. Yes, sir.

The Chairman. And prior to that time?

Mr. Arnold. I was brought in as a clerk-auditor. I believe that was the first position. I believe that was the designation.

The Chairman. In what year?

Mr. Arnold. 1933.

The Chairman. How old are you now?

Mr. Arnold. Forty-four.

The Chairman. Had you had any occupation prior to the time you went into that office?

Mr. Arnold. For seven years prior to entering that office, I taught bookkeeping and accounting, I taught in the highschool at home.

The Chairman. With that exception, you spent your whole mature life in that office there in one capacity or another?

Mr. Arnold. That is right. After getting out of school.

The Chairman. You have heard the testimony here today?

L 48

Mr. Arnold. Yes, sir.

The Chairman. Now, we have had, I think about four cars mentioned. We have had a Dodge, a Buick, a Chevrolet, a Pontiac, and a Packard. Let us start with the first car that is involved in the testimony today and tell us about that car.

Mr. Arnold. All right, sir.

The Chairman. When you got it, how long had you kept it, what you did with it. Let us take them one at a time so we can get this straight.

Mr. Arnold. All right, sir.

Senator Lucas. The Senator named five.

Senator Hawkes. The Buick was the one that was sold to Mr. Davis. Only four to Mr. Arnold.

Mr. Arnold. Do you have a copy of the letter there so I can follow it right through?

The Chairman. What letter was that?

Mr. Arnold. I thought you had a letter. Excuse me.

The Chairman. Start with the first car now, that is involved here.

Mr. Arnold. All right, sir.

The Chairman. What car is that?

Mr. Arnold. All right sir, that is the Dodge.

The Chairman. Now tell us when you got the Dodge, how long you kept it, what you did with it -- the Dodge, what you got for it.

L 49

Mr. Arnold. I had a Plymouth automobile I had put in another engine, a second engine. I had had all the steering apparatus replaced.

The Chairman. In the Plymouth?

Mr. Arnold. In the Plymouth.

The Chairman. All right.

Mr. Arnold. I took that Plymouth on April 4, 1936, which was worth, I guess -- I mean actual value -- around \$750 or \$800, right in there.

The Chairman. That is, it was worth that much when?

Mr. Arnold. -- April 4th.

The Chairman. Of what year?

Mr. Arnold. 1946.

The Chairman. That is at the time that you disposed of it?

Mr. Arnold. Yes, sir.

The Chairman. All right. Go ahead.

Mr. Arnold. I gave that Plymouth and around a \$1,000 for this Dodge.

The Chairman. The Plymouth was put in at what value?

Mr. Arnold. I gave the Plymouth and approximately a \$1,000 for the Dodge.

The Chairman. What was the trade value of the Plymouth.

Mr. Arnold. I only got \$250 trade in.

The Chairman. \$250? So that you put up a \$250 Plymouth trade value plus a \$1,000 to get the Dodge?

L 50

Mr. Arnold. Yes, sir, but the Senator understands, of course, that they take in your car less its value so they would have a double profit.

The Chairman. Yes, I understand. But at that time the Plymouth was how old?

Mr. Arnold. Eight and a half years old.

Senator Hawkes. I missed one thing because I was talking to get rid of my evening engagement. When did you buy the Dodge? What time?

Mr. Arnold. April 4, 1946.

Senator Hawkes. And you just paid the list price for the Dodge?

Mr. Arnold. Yes, sir.

Senator Hawkes. That is not the car you paid a \$100 more than the market price for?

Mr. Arnold. I never paid a \$100 for the car, Senator, above OPA ceiling price.

Senator Hawkes. You testified here that you did pay a \$100, you gave the dealer a \$100 more than the market price, but with the understanding that he would give it back to you if the ceiling went off.

Mr. Arnold. That is right. Any of the automobile men here can tell you that they had OPA adjustment coming through and they would take a \$100.

The Chairman. That is connected with your acquisition of the



L 51

Dodge?

Mr. Arnold. Yes, sir.

The Chairman. You traded in a Plymouth plus a \$100 to get the Dodge?

Mr. Arnold. Yes, sir.

The Chairman. What was the \$100 business?

Mr. Arnold. If there is an automobile dealer here that knows about that, I would rather they would tell you, but as I understood it, all dealers that were having you put up some money in case of an OPA raise in ceiling. I would like you to ask some automobile man here that.

The Chairman. You put up the \$100 on what understanding?

Mr. Arnold: That it would be held and returned if there was no retroactive raise in the OPA price.

The Chairman. Did you get the \$100 back?

Mr. Arnold. Yes, sir. Within a month.

Senator Hawkes. But in the meantime you got the car?

Mr. Arnold. That is right.

Senator Hawkes. You got the car and a month after that there was a raise in the ceiling price and you got the \$100 back from the dealer?

Mr. Arnold. No, there was no raise in it. They turned it back.

Senator Hawkes. There was no raise and therefore you got the \$100 back?

L 52

Mr. Arnold. You remember all the paper talk about there was going to be one.

Senator Hawkes. If I may, Mr. Chairman, I would just like to put this question because Mr. Arnold and I talked this thing over in a meeting at that time and we did not have a stenographer at that time and when I asked Mr. Arnold whether that was not a violation of the law, he said it was probably a technical violation of the law, but he had no intention of violating the law, is that correct?

Mr. Arnold. Senator, I do not remember exactly the words at all. I said that I thought it was not an I hoped it wasn't, I thought it wasn't, and hoped it wasn't, and if there is an automobile dealer in the room that knows, I would be glad for you to ask him -- or the Chairman.

Senator Hawkes. That is about the same. In other words, I think you have been very frank about that and that is as I remember it, just about the same as you put it.

The Chairman. Now, we want everything crystal clear, now.

Mr. Arnold. I want to make it clear because there is some confusion.

The Chairman. You traded your old Plymouth that you had had a good many years, plus a \$1,000 and you also paid an extra \$100 on the understanding that you would get it back --

Mr. Arnold. I did not -- that was not part of the cost of the car.

L 53

The Chairman. All right. You put up an extra \$100.

Mr. Arnold. That is right, sir.

The Chairman. On what understanding?

Mr. Arnold. That if the OPA raise that they were expecting came through and was retroactive, why, they are all paid, they have got it and they just take it.

The Chairman. Otherwise, you would get it back?

Mr. Arnold. Otherwise, it would go back to me and that is what happened.

The Chairman. How long a time limit was set on that?

Mr. Arnold. I believe it was a month or two but I am not sure on that.

The Chairman. Was there a time limit or was that to run on for ever?

Mr. Arnold. I understood it would be within a month or two.

The Chairman. Some reasonable future time?

Mr. Arnold. Yes, sir. They were expecting a retroactive raise.

The Chairman. And you got the \$100 back?

Mr. Arnold. Yes, sir.

The Chairman. When did you get the \$100 back.

What date?

Mr. Arnold. I do not know. But within a month or two.

The Chairman. Tell us again when you completed this Dodge transaction.

L 54

Mr. Arnold. April 4, 1946.

The Chairman. At that time, was there any criticism -- at that time did any automobile transaction have any bearing on your appointment as Collector?

Mr. Arnold. None that I -- no, sir. That is my opinion.

The Chairman. In other words, you did not get back the \$100 because in that instance you got frightened and got it back, is that correct?

Mr. Arnold. I don't believe I understood your question, sir.

The Chairman. Your testimony before indicated that when you bought this Pontiac it became a subject of criticism --

Senator Hawkes. No. The Dodge.

Mr. Arnold. The Dodge? No.

The Chairman. I am not talking about the Dodge. I am talking about the Pontiac.

Senator Hawkes. I beg your pardon.

The Chairman. Your testimony has been that when you bought the Pontiac and you sold it for a profit then you came under criticism on account of that and because of the criticism you repurchased the Pontiac, is that correct?

Mr. Arnold: I repurchased the Pontiac because of the fact that I was told that Mr. Walls was as mad as he could be and he would do everything he could to me to hurt me and prevent me from getting this job.

The Chairman. I simply want to know whether you secured the

L 55 return of this \$100 because you feared that you might be subjected to criticism because you had put up the extra \$100.

Mr. Arnold. No, sir. Not at all.

The Chairman. You had an understanding from the beginning that you would get that back under the circumstances which developed and that caused the return of the money to you?

Mr. Arnold. Yes, sir.

The Chairman. From the beginning?

Mr. Arnold. Yes, sir.

The Chairman. All right. Now then, you got the Dodge car. Now tell us about the Dodge.

Mr. Arnold. All right sir. I drove the Dodge about eight and one half or 9 months, right along in there. I drove it about 15,000 miles. I had to drive it on trips with the hood up, the sides up, so that it would not just burn up completely. From the very beginning, I took it -- the first week I got it to a Dodge dealer and he tried to overcome this heating fault.

He could not find out what it was. He worked on it. A Dodge dealer.

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Senator Hawkes. May I interrupt you there, Mr. Arnold, to ask you if you went back to the agent that sold you the car and told him that it was --

Mr. Arnold. No, sir. It was 200 miles away.

Senator O'Daniel. Did you testify as to how you purchased this Dodge from?

Mr. Arnold. No, sir, I will be glad to tell you who I purchased the Dodge from. Leo Gamso.

The Chairman. Spell his last name.

Mr. Arnold. (Spelling) G-a-m-s-o.

The Chairman. Where does he operate?

Mr. Arnold. He had two cars.

The Chairman. Where is his place of business?

Mr. Arnold. In Texarkana.

The Chairman. Did you get the car at Texarkana?

Mr. Arnold. Yes, sir.

The Chairman. And did you visit Texarkana in connection with the Packard?

Mr. Arnold. Yes, sir.

The Chairman. And were you there on business when you got the car?

Mr. Arnold. Yes, sir.

The Chairman. All right. Go ahead.

Mr. Arnold. Let me take that business. I was there on business to get the car. He told me he would sell it to me

and I went over there for that sole business to make my car and get that car.

The Chairman. Where did he tell you he would sell it to you? Where did you make your deal with him to get the car?

Mr. Arnold. He called me over the telephone.

The Chairman. Called you at Dallas?

Mr. Arnold. Yes.

The Chairman. From Texarkana?

Mr. Arnold. Yes, sir. He is a friend of mine. I have known him for several years.

The Chairman. How did he know you wanted a car?

Mr. Arnold. I was in Texarkana in March and saw him there. I was in Dallas lots of times.

The Chairman. As I understand it, the Dodge car gave you very bad service?

Mr. Arnold. That is right, sir.

The Chairman. So as a result of that you decided to get rid of the Dodge and get another car?

Mr. Arnold. Yes, sir. I spent approximately 150 dollars -- no more than that -- about 200 hundred to 225 dollars on the Dodge, with four or five or six different mechanics, and then I wrecked the Dodge -- that is, I ran into the back end of a truck, and that cost me around \$110 or \$115 for that, and it looked like it was wrecked just like someone testified here, and I have the bill for the repairs with me.

The Chairman. So you had the Plymouth in that car, you had \$1,000 extra cash in that car?

Mr. Arnold. Yes, sir.

The Chairman. And you had how many dollars worth of repairs?

Mr. Arnold. The Dodge cost me I figure around \$1800. I had spent around \$120 in repairs.

The Chairman. In cash?

Mr. Arnold. Yes, sir. And then a hundred and something -- the wreck cost a hundred and something. That figures up approximately \$2,025.

The Chairman. Now, you decided to divorce that car and get another one?

Mr. Arnold. Yes, sir.

The Chairman. When did you do that?

Mr. Arnold. I sold that car, as I remember it, on about December 6 right along in there.

The Chairman. Of 1946?

Mr. Arnold. 1946.

The Chairman. 1946?

Mr. Arnold. Yes, sir.

The Chairman. What did you get for the car?

Mr. Arnold. I sold the car for \$1900.

The Chairman. \$1900.

Mr. Arnold. There was no OPA ceiling on it.



The Chairman. There was no ceiling?

Mr. Arnold. That is right, sir.

The Chairman. There was no ceiling?

Mr. Arnold. No OPA ceiling.

The Chairman. You sold it for \$1900?

Mr. Arnold. Yes, sir.

Senator Hawkes. May I break in because I do not put these figures together -- I do not know how they are put together.

You bought the car for \$280 for your old car and a thousand dollars. Now you just figured up to \$1800 that the thing cost you. You figured in a hundred and something plus a hundred and something. How would \$1280 plus a hundred and something and a hundred and something make \$1800?

Mr. Arnold. If you have got something worth so much and you give it and \$1,000 for something then you have parted with \$1,000 and another value in something else.

Senator Hawkes. Of course, Mr. Arnold, you did not trade the car in for less than you could sell it on the market because you could always do as much with cash as you could do with a car?

Mr. Arnold. Senator, I could have sold the car for much more than that. In order to get the new car you had to trade in an old car.

Senator Hawkes. How much do you figure the old car was

worth?

Mr. Arnold. About \$800.

Senator Hawkes. And you only got 200 and --

Mr. Arnold. I had a second engine in it. I had bought another engine and put in it about a year before.

Senator Hawkes. I mean how much was it worth? You said you could get more cash than you could on a trade in. How much do you figure you could have sold that car for in the market if you had sold it instead of trading it in for a new car?

Mr. Arnold. Senator I donot know but I would estimate the value of that car at around \$800. The ceiling was around \$500 on it.

The Chairman. Now, we are talking about the Buick.

Mr. Arnold. The Plymouth.

The Chairman. The old Plymouth.

Mr. Arnold. Yes, sir. Now, I want to add to that statement. After the other new engine was bought and put in plus all this front repair work, steering gear, and new wheel bearings and things all the way around, that adds to the value under the ceiling as I understand it, and that engine cost me about \$145 and the other about \$70 or \$80.

In other words, you can figure there at least \$700 value that you could get for it, which was around the ceiling price the way --

The Chairman. Senator Hawkes, unless you are interested, let us not pursue it any further.

Senator Hawkes. Go ahead.

The Chairman. Let us go back to your next car and what you did with that.

Senator O'Daniel. Did he tell us to whom he sold that car?

The Chairman. We will get to that. We are talking now about your second car. What is the name of that car?

Mr. Arnold. You are not going to call my car the second car.

The Chairman. No. Let us keep that out for the time being. The second car. What kind of car was it?

Mr. Arnold. May I take a drink of water, please, sir? I have larengitis and a sore throat but I can talk all right sir.

The Chairman. The second car was a Dodge, and --

Mr. Arnold. The first car.

The Chairman. -- you told us of your unhappy experience with the Dodge and you decided to get rid of it. Tell us how you got rid of it, and what you acquired?

Mr. Arnold. I sold the Dodge for \$1900.

The Chairman. To whom did you sell it?

Mr. Arnold. I will think of the name in just a minute.

The Mehai Auto Tow Company.

Senator Connally. M-e-h-a-i?

Mr. Arnold. In Dallas. It is the same name as that town,

but it is in Dallas.

Senator Connally. M-e-h-a-i?

Mr. Arnold. That is right.

The Chairman. Was it a trade-in or outright sale?

Mr. Arnold. I sold the car. If I had traded it in I would not have gotten --

The Chairman. Just tell us was it an outright sale or trade in?

Mr. Arnold. A sale.

The Chairman. And got the money?

Mr. Arnold. And got the money.

The Chairman. That disposes of the Plymouth and the Dodge.

Mr. Arnold. Yes, sir.

The Chairman. What was your next car?

Mr. Arnold. That is when I did not have a car. That was around the first few days in December when I sold the Dodge. I did not have a car.

The Chairman. 1946?

Mr. Arnold. 1946. I did not have a car. I told, I guess, ten or fifteen people in that period in there when I did not have a car, before I got the Pontiac and Packard.

The Chairman. You were broadcasting that you wanted a car?

Mr. Arnold. Yes, sir. I did not have one. I lived out of town about 8-1/2 or 9 miles.

Senator Connally. You have stated that three times in the

last five minutes that you did not have a car. Go ahead and tell your story.

Mr. Arnold. I told ten or fifteen people that I was without a car and I would like to have one if I could find a dealer that would sell me one.

Senator Hawkes. Mr. Arnold, may I break in there, because the gentleman who sold you your father's Chevrolet testified that he sold that car to you on November 22.

Mr. Arnold. That is right, sir.

Senator Hawkes. Now then you had that Chevrolet and your father was very sick and the Chevrolet was sold according to him somewhere around the first of December. He would not agree it was the first but thereabouts.

Mr. Arnold. That is right, sir.

Senator Hawkes. Now, why would you sell that car that belonged to your father when your father was sick and you were out of a car?

Mr. Arnold. All right, sir. I was not out of a car.

Senator Hawkes. I thought you just said you were.

Mr. Arnold. I had the Dodge.

Senator Hawkes. I thought you just said you were?

Mr. Arnold. I believe I can explain it, Senator.

Senator Connally. Wait a minute. Let us stick to these cars.

The Chairman. I hope you will let that rest now. Let us

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hang on one at a time and we will get it straight.

Mr. Arnold. The Senator's question is good. I sold the Chevrolet before I sold the Dodge.

The Chairman. Never mind the Chevrolet. We will come back to the Chevrolet. You disposed of the Dodge. You got \$1900 for it. Then you acquired another car. What kind of a car did you acquire?

Mr. Arnold. All right, sir. I went to Amarillo, Texas, and my division chief, the man in charge of my office was dying. I was notified that if I wanted to see him alive I had better come up there. I went up there and went to the hospital. That very afternoon, afterwards, I bought -- I went by with the assistant chief to the Packard place, and they had got two in as I remember it and they sold me a Packard right then and there.

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The Chairman. Off the floor?

Mr. Arnold. Right off their floor, their place.

The Chairman. Did you drive it away then?

Mr. Arnold. That is right.

The Chairman. What did you pay for that car?

Mr. Arnold. I have the canceled check here: \$1,983.46.

The Chairman. Anything extra?

Mr. Arnold. The total charge was \$1,983.46. It only had one extra on it, one extra thing, an over-drive.

The Chairman. Any additional side transactions of any kind?

Mr. Arnold. No, sir.

The Chairman. All right. Now, you got the Packard?

Mr. Arnold. That is right.

The Chairman. Have you still got it?

Mr. Arnold. Yes, sir.

The Chairman. You kept it in your possession ever since?

Mr. Arnold. Yes, sir.

The Chairman. All right. Now, then, you also acquired another car, a Pontiac? Tell us about that.

Mr. Arnold. All right, sir. While I was in Amarillo and bought this car here, Mr. Walls, who had been encouraged by Mr. Truitt, delivered a car to one of my assistants the same day or the next day; I don't know which it was, but the date of this check, the check the Packard was purchased with, is December 18,

1946.

The Chairman. And you think that on the same day your secretary took delivery of the Pontiac in Dallas?

Mr. Arnold. Mr. Walls says it was December the 17th, and I am sure that is right.

The Chairman. Now we are talking about the Pontiac.

Mr. Arnold. All right, sir.

The Chairman. We are through with the Packard; we are right on the Pontiac now.

What was your relation, and what conversations if any did you have, with Mr. Walls before you got the Pontiac?

Mr. Arnold. I believe I remember everything, and I am trying my best to. Mr. Truitt called me, as he testified, and said Mr. Walls had some cars. He told me Mr. Walls had some cars and would deliver me one.

In about 3 days, Mr. Truitt called me and asked me how I would like a Pontiac. I said, "I don't have a Pontiac." He said, "Mr. Walls told me about 3 days ago that he had some cars and was going to deliver you one. You call him and see what the trouble is."

I called Mr. Walls. I didn't know him. I had never seen him. I said, "Mr. Walls, Mr. Truitt said that you were going to deliver me a car 3 days ago, and he had called to see about it, and I told him I did not have it, and he is disturbed."

Mr. Walls said, "Mr. Arnold, I am going to deliver you a



car, but I can't deliver you one now."

The Chairman. Did you have the Pontiac at that time?

Mr. Arnold. No, sir, this is the Pontiac.

The Chairman. I mean, did you have the Packard at that time?

Mr. Arnold. No, sir.

The Chairman. He said he was going to deliver you one?

Mr. Arnold. That is right.

The Chairman. Without any ifs, buts, or maybes?

Mr. Arnold. He said, "I think I can take care of you," but he didn't say what day, what week, or anything.

The Chairman. What did you say to him?

Mr. Arnold. I said, "All right, sir." Now, as far as I remember, that was the conversation, and that was the only conversation I had with him, as far as I remember.

The Chairman. Yes. Now, did you give instructions to your secretary in the matter?

Mr. Arnold. There is something that happened just before that.

The Chairman. Go ahead.

Mr. Arnold. Then, in about 3 or 4 days, I went by his place of business. I had never been there. I walked in, and I said, "I am Arnold. I want to talk to Mr. Walls about the automobile we have been talking about, that Mr. Truitt has been talking about to him." And they said, "He is not here." I

believe that is what they said -- and there was nobody in his office.

The Chairman. Did you have the Packard at that time?

Mr. Arnold. No, sir.

So I walked in the side door there, where a man showed me the way, and they introduced me to a man by the name of Mr. Koontz.

The Chairman. K-o-o-n-t-z?

Mr. Arnold. Koontz; that is right, sir. I said, "Mr. Koontz, Mr. Truitt has been talking to Mr. Walls about a car, and I have talked to Mr. Walls about a car, and the way I understood it, if you were going to deliver me one, you were supposed to have delivered it several days ago, about a week ago."

Mr. Koontz said, "We are going to deliver you one, but we just don't have one to deliver now." He said, "Have you filed any application with us?" and I said, "No, sir." He said, "Well, file some applications, then."

I filed two application forms. One of them was, I am sure, for a license, and the other was some kind of application, I wouldn't know. They were not filled in at all. The only writing of anything filled in on the thing was my name, when I got through with it.

Well, that was on a Saturday. So, on a Monday -- I mean, on a Tuesday -- and before I left to go to Amarillo, this division chief was dying, and he died. I told this assistant

of mine, "Here is my money from the sale of the Dodge. I have got a promise of a car from Mr. Walls, and he may deliver it to me while I am gone. If he does, you give him the money."

All right, I left. I went to Amarillo. That was Tuesday.

The Chairman. At that time, did you have any reason to believe that you would get the Packard at Amarillo?

Mr. Arnold. I had no reason on earth to believe that a Packard would be delivered to me at Amarillo.

The Chairman. Did you just turn over the check that you had received for your Dodge?

Mr. Arnold. Yes, sir, the money from the Dodge. That is what it was. That was the money.

The Chairman. What I am getting at is this: Did you make out a new check in the amount of the purchase price of the Pontiac?

Mr. Arnold. No, sir. I did not know what it would be. I thought it would be around \$1,750.

The Chairman. You gave him the check that you had received for the sale of the Dodge?

Mr. Arnold. I gave it to her, placed it in her hands, this money which would be sufficient, in the form of a check plus some cash, because I did not know what the price would be. I had never been told the price of the car and had no idea.

The Chairman. Then you got on the train and went to Amarillo?

Mr. Arnold. That is right, sir.

The Chairman. In Amarillo, you made the Packard transaction that you have told us about; is that right?

Mr. Arnold. That is right, sir. I took delivery and gave this check for it up there, and on a Tuesday, the 17th, just as Mr. Walls stated, this assistant called Mr. Walls that afternoon, just trying to take care of my business while I was gone, I guess, to the best extent, and was very much surprised, I am sure, when Mr. Walls or somebody over there said, "Well, we can deliver one this afternoon at 4 o'clock."

The Chairman. And was the car delivered that afternoon?

Mr. Arnold. Yes, sir.

The Chairman. To whom was it delivered?

Mr. Arnold. Mary L. Miller.

The Chairman. That is your assistant?

Mr. Arnold. Yes, sir.

The Chairman. And she paid for it?

Mr. Arnold. Yes, sir.

The Chairman. How much did she pay?

Mr. Arnold. I don't know, but I am sure it is what Mr. Walls said, \$1,960, or around that.

Senator Hawkes. May I ask a question here, Mr. Chairman?

Was this Mary L. Miller the wife of the Miller who was trying to sell the Chevrolet to you?

Mr. Arnold. Mary L. Miller was the wife of the Miller who

mentioned to this wholesale buyer that was in here this afternoon that I was going to have to sell the Chevrolet. That is right, sir.

Senator Hawkes. That was the same one; she was the wife of that man?

Mr. Arnold. That is right, sir.

The Chairman. All right. Now, you got the Packard. You came into possession of a Pontiac. What did you do?

Mr. Arnold. I was in Amarillo. I drove the car back to Dallas.

The Chairman. The Packard?

Mr. Arnold. The Packard, back to Dallas.

The Chairman. All right.

Mr. Arnold. Before I drove the Packard back to Dallas, I called my wife and asked her if any car had been delivered to me, because I thought maybe somebody else, besides Walls, might have come by one, because I had asked seven or eight people, saying I would like to have one, because I needed one. She said, "No." She said that there had not been. And I saw Mr. Truitt later, and he said he called her and she said that none had been delivered. I thought, if it had, she would surely know about it.

All right, sir. Now, when I made that call, then is when I bought the Packard, and not before.

Now, Mr. Southworth testified this afternoon. He testified

as to the whole conversation, but he made it one trip to his place. There were two trips.

The Chairman. To what place?

Mr. Arnold. By me, to his Packard agency.

The Chairman. To the Packard agency. All right.

Mr. Arnold. He testified concerning what happened when I went there. I went there twice.

The Chairman. You did not clinch on the Packard until you had talked to your wife and had learned that the Pontiac had not been delivered?

Mr. Arnold. Had not been delivered; that is it exactly.

The Chairman. All right.

Mr. Arnold. So I took the Packard. I gave them this check dated December the 18th, and it was cleared through the bank the next day, as shown by the endorsement, in Amarillo, and then went on to -- yes, it was the next day, December the 19th.

The Chairman. Never mind about tracing the check.

Now, you got the Pontiac when you got back to Dallas?

Mr. Arnold. When I got back.

The Chairman. Who delivered it to you? Your assistant?

Mr. Arnold. When I got back to Dallas, and I drove up with the Packard, my wife said, "Well, I don't know what you are going to do. Mr. Walls delivered you a Pontiac, and now you have got the Packard."

The Chairman. The Pontiac was at your home at that time?

Mr. Arnold. No, sir.

The Chairman. Where was it?

Mr. Arnold. It was downtown.

The Chairman. At Mr. Walls' place?

Mr. Arnold. No, sir. That was another mistake made. If they had just left the car with Mr. Walls, it would have been all right. It would not have been used, that way. But they had taken the car and stored it.

The Chairman. And stored it?

Mr. Arnold. Yes, sir.

The Chairman. Was it Mr. Walls' storage place, or was it a public garage?

Mr. Arnold. A public storage. It's fairly close to the office and to Mr. Walls. It's Knight's Storage.

The Chairman. By that do you mean a garage?

Mr. Arnold. A storage, a public car storage place.

The Chairman. So when you got there, your car was in this -- what you call a public storage?

Mr. Arnold. That is right, sir.

The Chairman. Now, then, what happened?

Mr. Arnold. Then I tried to figure out how I could keep both cars. I could figure out that we could afford two cars. But I decided it would not be best to keep two cars. I didn't want two. I didn't really need two cars.

The Chairman. So what did you do?

Mr. Arnold. All right, sir. Then I went to see about how much financing I could do on the two cars, to see if I could stand the payments per month easy. I went up to a bank there in Dallas. I talked to, I think, the cashier. He has his statement here. He was in one of the banks in Dallas. And I advised with him about the loan so I could keep both the cars. He was a war veteran, and I knew him, and that is the reason I went to that bank. I knew him. And we discussed the loan basis, and so forth, and I did not like it particularly. What I mean by that is, it didn't seem right that I should keep both cars and try to pay for them in monthly payments.

So I offered to sell the car to him at exactly what it cost me. The reason I did that right then and there was because about 2 or 3 months before that I had seen him and he had told me that he was without a car and wanted one. I offered to sell him the car at exactly what it cost me, instead of taking it back to Mr. Walls.

Senator Hawkes. Mr. Chairman, may I ask another question?

I asked you this before: Did it never occur to you that you would not have the slightest difficulty in the world about turning that car back to Mr. Walls, when he had this great waiting list and you knew the shortage of cars that existed? You could have gotten out of your whole trouble by just taking the car and saying, "Mr. Walls, I got a Packard car today that I did not expect to get, and I do not want this car, and would



you like to have it back?"

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Mr. Arnold. Senator, you are exactly right. That is what

fol. gibson would have ended the whole thing right there. I drove the  
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car around for three or four days, I guess, just trying to  
decide which one I wanted. My wife wanted to keep the Packard.  
I did not want to. But she wanted to keep the Packard. So then  
the bank, my bank, that I had written the check on for the  
Packard, called me and said, "We have got a check in here from  
Amarillo, Texas, that you wrote in Amarillo, Texas." And they  
called me long distance at my home and said, "What do you want  
to do about it?"

I said, "Well, I got mixed up on two cars. I was after  
one car, and I got two."

I said, "I will have the money over there in a day or two."

The bank's representative that called me about the check  
is here. The bank sent him up here, I understand, to testify  
concerning the call. I told him I would have the money there  
in a day or two. That is when I went to this cashier, or this  
man that works in the bank, that returned from the war, and I  
offered it to him at what it cost me.

Now, then I went also to the Dodge dealer.

The Chairman. And when you made the check out at Amarillo,  
to pay for the Packard, you did not know that your money had  
been spent at Dallas to buy the Pontiac? That is why you  
were short at the bank?

Mr. Arnold. That is it, exactly.

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Senator Hawkes. Mr. Chairman, wait a minute.

Your check at Dallas, you have testified, was never deposited, and you just kept the money from the Dodge, and that was the money you were turning over to pay for the Pontiac. So you could not imagine the check was in the bank.

Mr. Arnold. No, sir.

Senator Hawkes. You have testified to that fact: that you left the check there that you got from the Dodge, and some cash?

Mr. Arnold. No, sir. I didn't say I left the check there that I got for the Dodge. I said I left a check and some money there that I had got from the sale of the Dodge. I cashed the check there.

Senator Hawkes. Well, you will find in the records when they are written up that the Chairman asked you that very question and you said that you left the check that you got from the Dodge there and some cash to pay for this car.

Mr. Arnold. I wish to correct it if I said that.

The Chairman. Did you deposit the proceeds from the sale of the Dodge in your bank?

Mr. Arnold. No, sir.

Senator Hawkes. What did you do with it?

Mr. Arnold. I cashed the check, and I got a cashier's check for part of it. I didn't want to carry around that much money, and I didn't know when I would get a car.

Senator Hawkes. Mr. Arnold, I am trying to help you a little

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bit, because you will find your statements do not jibe with the facts.

Now, if you never deposited this check in the bank, then how would you expect that this check here that you gave in Amarillo would be good? Because the money that you got from the Dodge was not in the bank, according to your own statement.

Mr. Arnold. Senator, it was not, and when I gave these people the check for this Packard, I told them that I would be home and get the money in the bank; that I didn't have it there at that time.

I said, "Now, I don't have the money in the bank for this check, but I will have it there when the check gets there."

Senator Hawkes. Well, why did you not ask them to keep this check and not embarrass you by putting this check through before you got the money in the bank?

Mr. Arnold. I saw no reason to do that. I was going home--

Senator Hawkes. Do you not think it is embarrassing for you, as an Internal Revenue collector, to have a check come back with "not sufficient funds"?

Mr. Arnold. The check didn't come back that way.

Senator Hawkes. But do you not think it is embarrassing to have the bank have to call you up long distance at your home on a matter of that kind?

Mr. Arnold. Yes, sir, it is, and that is why I sold the Pontiac automobile: to get this; to get the money to pay for the

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Packard. That is the truth, of course.

The Chairman. At the time you made the check in Amarillo, you did not know that you would get the car in Dallas? You figured that the funds that you had there would be available to cover your Amarillo check; is that correct?

Mr. Arnold. That is it exactly.

Senator Lucas. That is the reason why you called your wife: to make it definite that there was no car delivered, before you wrote that check?

Mr. Arnold. That is right, sir.

Senator Connally. Let us go on, now. Mr. Chairman, can we go on now to what he did with this car?

The Chairman. Yes, I would like to get ahead with the Pontiac.

Mr. Arnold. All right, sir.

I offered to let the Dodge dealer at Garland, Texas, -- I live between Garland and Texas -- I offered to let him take the Pontiac at what it cost me. And since he was an automobile dealer, and I wasn't, I offered to let him take it and sell it for whatever profit he could make out of it. I had driven the car three or four days. He said I had 50 miles on it. I don't know what it was. And Mr. Bruner of this Dodge agency in Garland -- they are close to me -- said to me when I offered him that, "No, I sell Dodges, and I would rather not sell the Pontiac besides the Dodge."

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The Chairman. He did not buy it?

Mr. Arnold. And he has his affidavit here to the effect that I offered to do that, and then, when I didn't sell it either one of those ways, or those places, when I went to work to sell the car, I wholesaled it.

Senator Connally. Why do you not go on and tell us whom you sold it to and what about it? There is no use in going into all this detail.

Mr. Arnold. All right. I sold the car to a wholesale buyer that testified this afternoon. I believe he is name is Roberts.

The Chairman. And what did you get for it?

Mr. Arnold. \$2400 on the afternoon of December 23, I believe it was; yes, December 23.

The Chairman. All right. What next?

Mr. Arnold. Next morning, Mr. Arthur Truitt called me and told me that the Pontiac had been sold and that Mr. Walls was just as mad as he could be, and that he would do all he could do to keep me from being confirmed as collector, and for me to go and do something about it.

The Chairman. All right. What did you do?

Mr. Arnold. I went over -- this was Christmas Eve --

The Chairman. Yes.

Mr. Arnold. That was about 10:00 or 10:30.

The Chairman. In the morning or at night?

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Mr. Arnold. Christmas Eve morning. I went to his office. No, I take it back. I didn't go to his office that day. I went to the phone and called his office, and a girl answered.

I said, "I would like to speak to Mr. Walls."

She said, "He is not here, and we are closed for the afternoon."

Now, later, I found out that he was there, but they were having a Christmas Party in some of the offices, and either he had told her not to bother, or she just took it on herself not to let him be bothered.

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The Chairman. Then what happened?

Mr. Arnold. All right, sir. I asked her for his initials; told her that I would like to call him at home.

She said his initials were "I. W." And I thought his name was "Wall".

The Chairman. Did you call him at home?

Mr. Arnold. I looked in the City Directory, the telephone directory, and I called Information. And it was not in the telephone directory, not in there as I. W. Wall. There is no I. W. Wall in there. There is no Irwin Wall in there. The name was wrong. It is "Walls," W-a-l-l-s, and it was in with a bunch of names on through the directory.

The Chairman. Then what happened?

Take a drink of water. I am sorry that you have to testify under these conditions. If you need a little time out, say so.

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Mr. Arnold. No, I will just talk a little slower.

The Chairman. You could not find the telephone number?

Now, what next did you do?

Mr. Arnold. I went over and got the car back. When Mr. Truitt called me and told me to go do something about it, to do something, I went out and bought the car back.

The Chairman. What did you pay for it to get it back?

Mr. Arnold. I paid around \$3,000. I paid the drivers to bring it back.

The Chairman. Now, you have the car back. Then, what did you do?

Mr. Arnold. I got the car back. I told Mr. Roberts, who testified this afternoon, to tell Mr. Walls that I didn't want him mad at me. I figured Mr. Walls had got the information from him that he had bought it. And also that I had bought the car back, and that I hoped that he was satisfied that I bought the car back, because I didn't want anybody in the world mad at me, and Mr. Walls was the only person on earth that I knew of that was mad at me.

The Chairman. Did you, after regaining possession of the car, and regaining ownership of the car, offer it back to Mr. Walls?

Mr. Arnold. Yes, sir.

The Chairman. When was that, and where was it, and who was present?

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Mr. Arnold. About a little over a week later, somewhere along in there, Mr. Truitt called me one day from downtown. And he said, "I have just got into town, and I want to talk to you."

I said, "Well, I want to see you."

I said, "I will be down there in just a minute."

I went down there, and Mr. Truitt said -- well, I have forgotten the entire conversation. Anyway, it all ended up --

The Chairman. Arnold was there. You were there, Mr. Walls was there, and Mr. Truitt was there?

Mr. Arnold. I asked Mr. Truitt to go up to Mr. Walls.

The Chairman. The three of you were there?

Mr. Arnold. The three of us were there.

The Chairman. Now, what did you offer, so far as Mr. Walls was concerned?

Mr. Arnold. I said, "Mr. Walls, I regret very much that you got mad. I never was so sorry at anything in all my life. And anything that I can do that will keep your feelings from being hurt or you from being mad, I will be glad to do it." Because I never intended to hurt anybody's feelings in all my life.

The Chairman. All right. Tell us what happened.

Mr. Arnold. I asked him, Mr. Walls, if he wanted a car. He said, "No, sir." I said, "I would be glad to let you have it." No price was mentioned.

The Chairman. Did he say to you, in effect, that he would



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take the car if you figured on selling it to somebody else?

Mr. Arnold. He said, "If you want to drive the car, why, you keep it and drive it." That was what he said.

The Chairman. Did he say, "If you are going to sell to somebody else, I will take the car"?

Mr. Arnold. He did not say, "I will take the car." He just said, "If you are going to drive it, that will be all right with me."

Senator Hawkes. Mr. Arnold. you heard his testimony this morning. Here is what he said. He said, "I told Mr. Arnold that if he wanted to keep the car and drive it, to go ahead and keep it, but if he was going to peddle it around, I wanted to take it back."

Mr. Arnold. That is right, sir.

The Chairman. Now, then, you have kept the car ever since?

Mr. Arnold. Yes, sir.

The Chairman. You have got it now?

Mr. Arnold. Yes, sir.

The Chairman. You own it?

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Mr. Arnold. Yes, sir, I have got a loan on it.

The Chairman. Now, let us get to the Chevrolet. Senator Hawkes, will you take over?

Senator Hawkes. Well, on the Chevrolet, the only thing that I brought out on the other witness is that the Chevrolet, you said, was your father's car. But the fact remains that

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from the testimony given here, the car was only in your possession a very few days, and it was registered in your name, in a different country from the one where you lived. Is that correct?

Mr. Arnold. That is right, sir.

Senator Hawkes. Now, it never was transferred to your father?

Mr. Arnold. That is right, sir.

Senator Hawkes. And you paid for the car?

Mr. Arnold. That is right, sir.

Senator Hawkes. Well, then, that was a Ford car, was it not?

Mr. Arnold. Well, Senator, I don't know how you look at it, or how anybody would look at it. The dealer that testified this afternoon gave you the exact truth, as far as I know it. I mean by that: the car was sold to my father, whichever way you want to look at it. I didn't want the car. I took the car and delivered it to my father. When I left to go back, I even left a set of the keys there. They were still there at his home last week when I picked them up.

Senator Hawkes. Do you think the dealer was right this afternoon when he said that he sold you the car about November 22?

Mr. Arnold. Yes, sir. He was wrong in one respect.

Senator Hawkes. And that you sold it some time around

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December 1st?

Mr. Arnold. That is approximately right. He was wrong on one thing. Let me see. There was something there that he was wrong on.

No, he was right. There was a radio and something else on it. I have forgotten what it was. It was a little mirror of some kind up there. He didn't mention that.

Senator Hawkes. Now, you had the Dodge car?

Mr. Arnold. At that time.

Senator Hawkes. At the same time you bought the Chevrolet from your father?

Mr. Arnold. That is right.

Senator Hawkes. And let me ask you this question: you knew the Dodge was a lemon. You must have known it then. And you knew you had had a wreck with it. And you wanted to get rid of it. Why did you not get rid of the Dodge car and keep the Chevrolet and put yourself in possession of a good car?

Mr. Arnold. Well, for one thing, the Chevrolet was a little car, a small car, about 112 inch wheel base. I don't know. You can find out.

Senator Hawkes. I know the Chevrolet.

Mr. Arnold. And I just needed a larger car.

Senator Hawkes. But you did not know you could get one. You had a lemon. And you turned around and sold the Chevrolet.

Mr. Arnold. Well, Senator, this Dodge -- I had been trying

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to sell this Dodge. It was bad. It was real bad. I had not been able to get what I thought was a fair price for it, because of the fact that it had been wrecked, and you could tell that it had been wrecked. And I had not been able to get the price for it.

Now, I will tell you why I got the price that I did for the car.

Senator Lucas. Which one?

Mr. Arnold. For the Dodge. I sold it for \$1900.

The Chairman. Let us not get back to the Dodge now. Hang on to the Chevrolet.

Mr. Arnold. All right, sir.

Senator Hawkes. Let us stick to the Chevrolet, yes.

Mr. Arnold. I did not want the Chevrolet. It was too small a car.

The Chairman. You wanted to give your father a car?

Mr. Arnold. No, sir, I had no intention of giving my father a car at all. I was taking a car for delivery to him as his car.

The Chairman. Well, did your father reimburse you for the money you put up for the car?

Mr. Arnold. When I got up there with the car, my father had had a heart attack. He was under treatment with Dr. Kennedy. And to this day he is in bed, and, Senator, he is in bad shape.

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The Chairman. How old a man is he?

Mr. Arnold. 71.

The Chairman. Then he would be roughly 70 at the time you got this Chevrolet for him?

Mr. Arnold. He was around 70 or 71.

The Chairman. Was he in the habit of driving a car?

Mr. Arnold. Yes, sir, he owns a farm. He is a farmer, and the farm is about 5 miles from town. He goes out there, back and forth, about twice a day.

The Chairman. And had been driving a car up to the time that you got the Chevrolet for him?

Mr. Arnold. My father had been in bad health the first part of the year, but during the middle of the year and up to just within a few days of the time I got this car for him, he was in what the doctor called "good health".

Senator Hawkes. Did he have no car at the time you got the Chevrolet?

Mr. Arnold. That is right. He had no car.

Senator Hawkes. Now, will you tell us this: to whom did you sell the Chevrolet, and how much did you get for it?

Mr. Arnold. I sold the Chevrolet to C. V. Robbins.

Senator Hawkes. Whereabouts? Dallas, Texas?

Mr. Arnold. Yes, sir. C. V. Robbins, Dallas, Texas. I have an affidavit on it right here.

Senator Hawkes. And what did you get for the car?

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Mr. Arnold. I believe it was \$2400.

Senator Hawkes. \$2400?

Mr. Arnold. Yes, sir. The car, I believe, cost around \$1600. The dealer testified this morning or this afternoon, Mr. Brabham, that the car was around \$1500. And he testified right in this respect; that that was the price of just the car.

Senator Hawkes. Yes. He said you might have had some <sup>accidents</sup> accidents on it that he did not know, and that would bring it up to <sup>1600</sup> \$1500, but you sold it for <sup>2400</sup> ~~\$1500~~ cash to C. V. Robbins of Dallas, Texas?

Mr. Arnold. That is right, sir.

Senator Hawkes. Do you remember the date on which you sold it?

Mr. Arnold. I believe it was the day before I sold the Dodge. I know it was before I sold the Dodge.

Senator Hawkes. It was very close together?

Mr. Arnold. Yes, sir. That is right, sir.

Senator Hawkes. Now, let me ask you another question, Mr. Arnold, because I can understand two cars, and I can understand three, but when it comes to four, it gets to be rather a large number. And somebody suggested that you had had six or eight new cars.

Let me ask you this question, if you will be good enough to answer it. Have you had any more cars, directly or indirectly, than the four cars you are talking about?

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Mr. Arnold. Yes, sir. I got a car delivered for a war veteran in Texas.

Senator Hawkes. You got a car what?

Mr. Arnold. Delivered for a war veteran in Dallas that needed one in connection with his job.

Senator Hawkes. And who bought that car? You or the war veteran?

Mr. Arnold. The war veteran bought that car.

Senator Hawkes. Was it in his name?

Mr. Arnold. I believe that is right.

Senator Hawkes. You believe, but do you know?

Mr. Arnold. No, sir, I don't know.

Senator Hawkes. You are not sure it was not in your name?

Mr. Arnold. No, sir, I don't know. That was way back.

The Chairman. Did you make anything out of it?

Mr. Arnold. No, sir, I did not make a penny.

The Chairman. Or out of any other car transaction?

Mr. Arnold. No, sir. And not even the Davis deal that they were talking about. I had nothing whatsoever to do with any car they ever owned.

The Chairman. When you bought the Chevrolet for your father, did you know he was ill at that time?

Mr. Arnold. No, sir, he had this heart attack just a few days before.

The Chairman. And you did not know of it?

Mr. Arnold. That is right. He had called me about a month before and asked me about it, and told me that he did not have the car and that he sure wished he had one.

The Chairman. Let me ask you again: did he pay for the car, or did you pay for the car?

Mr. Arnold. I paid for the car, intending, of course, to get the money from him.

The Chairman. Did he reimburse you?

Mr. Arnold. No, sir, my father is in bed with a heart attack and has not recovered to this day. I can not talk to him about any business. No one else can.

Senator Hawkes. Mr. Arnold, am I correct in my recollection that this gentleman whom you met at an Automobile Dealers' Association, who said if you wanted a car for your father, to let him know, --that he said your father was ill at that time, back in April?

Mr. Arnold. Yes, sir, he was.

Senator Hawkes. Well, I am trying to help you, because you just answered the Chairman that your father had not been sick before this. That was just a minute ago. It is in the record.

Mr. Arnold. I put it in the record, as I remember it, a while ago, that my father was not well in April. He didn't have a heart attack; he was not well in April, though.

Senator Hawkes. But the Chairman asked you if your father



was sick before this, and in the testimony you will find that you said your father was ill at that time, and that if he got better, you might want a car for him. So the fact remains that you knew your father was sick back there in April when you were first talking to this man.

Mr. Arnold. And he got all right. He did not have a heart attack.

Senator Hawkes. I do not want this record to say one thing one place and another thing in another place.

Mr. Arnold. I will be glad to go back over it.

The Chairman. Now, let me take you back to April. There was some testimony that your father was not feeling well at that time. Was he driving a car at that time?

Mr. Arnold. No, sir, he did not have one at that time.

The Chairman. Well, when did he last have the car?

Mr. Arnold. I would say some time in 1945. I am not sure, Senator.

The Chairman. There was a sizeable period, then, when he did not have the car?

Mr. Arnold. Yes, sir.

The Chairman. He told you that he wanted a car?

Mr. Arnold. Yes, sir.

The Chairman. And when he told you that, did you believe that he was in a state of health such that he could drive a car?

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Mr. Arnold. Yes, sir, he was.

The Chairman. And when you got the car for him, just at that time, or shortly afterward, you found out that he was not in condition to drive a car?

Mr. Arnold. He had a heart attack just a few days before, and they did not notify me. They did not want to worry me about it.

The Chairman. So you did not know that when you bought the car?

Mr. Arnold. No, sir.

The Chairman. Any questions? - Senator O'Daniel?

Senator O'Daniel. Yes, I have some questions.

The Chairman. I would like to ask one more question.

Have you recapitulated all your financial transactions as to the cars we have mentioned, to find out, so far as cash is concerned, whether you have made a net profit or a net loss?

Mr. Arnold. Senator, on all the cars that were mine, not counting my father's, I figured my Dodge cost me about --

The Chairman. Well, just give me the final result. Let us not get into all the detail. Have you figured it?

Mr. Arnold. No, sir.

The Chairman. Just make us a calculation, then, and tell us what the net result was, so far as cash is concerned, whether you are in the hole or whether you made some money; including the Chevrolet.

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Mr. Arnold. Well, sir, of course, I purchased the Pontiac back, and I am in the hole. Yes, sir.

The Chairman. Now, taking all these transactions together, you are in the hole?

Mr. Arnold. You are talking about the Chevrolet, too?

The Chairman. I am talking about the whole thing.

Senator Connally. And better let him do a little figuring because I understood he made \$800 on the Chevrolet.

The Chairman. There are implications, Mr. Arnold, that you have sort of been in a sideline of trading cars for profit. I am driving directly to the point now of whether you have made any money. So take your time and give us a figure on it.

Mr. Truitt. He brought up a point there that I did not think about. Can I make another statement?

The Chairman. Go ahead.

Mr. Truitt. He mentioned about me calling his wife. Now, I came to Dallas the day he came to Amarillo. I flew to Dallas, and when I got there, I called Walls, and asked if he had delivered the car, and he said he had that afternoon. I called Mr. Arnold out at the house, and Mrs. Arnold said, "Well, Mr. Arnold is in Amarillo."

I said, "He must have passed me. I came down today."

I said, "Did you get the car?"

She said, "No, we haven't."

Of course, I didn't know what the situation was. And then

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I found out that Mr. Walls had delivered it to the secretary.

Mr. Arnold. Not counting the Chevrolet, before I bought the Pontiac, there was a profit of \$300.

The Chairman. All right. Count in your Pontiac transaction and your Chevrolet transaction and give us the net on it.

Mr. Arnold. All right, sir.

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(After making computation). Just about even.

Senator Connally. Wait a minute. You just said that not counting the Chevrolet you had a profit of \$300.

Mr. Arnold. Yes, not counting buying back the Pontiac.

The Chairman. You see, he had to pay -- what was it?--  
\$600 more than he got on the Pontiac to get it back.

Mr. Arnold. Yes, sir, \$630.

Senator Connally. But if he made a profit of \$300 not counting the Chevrolet, he made \$800 on the Chevrolet.

Senator Hawkes. Yes, he would have made a profit, so he does not want to do himself the injustice of saying he has not.

The Chairman. He will recapitulate for us.

Mr. Arnold. It is approximately the same.

The Chairman. Give us a recapitulation of what you have there, transaction by transaction.

Mr. Arnold. All right, sir. The Dodge car was approximately \$2,000, counting the value of what my car was, plus the money. I sold it for \$1900. That is a loss of \$100.

Then when I sold the Pontiac for \$2400, I had approximate-

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ly a profit of \$400. That is a loss of \$100 and a profit of \$400.

Senator Connally. Put them in separate columns and add them up, loss and profit.

The Chairman. Now, start over again. Let us start that over on the double column system. You are in almost as bad a fix as the fellow that makes out an income tax return.

What have you got on the profit side?

Mr. Arnold. All right, sir.

On the profit side is \$400 on the Pontiac, \$800 on the Chevrolet.

On the loss side is \$100 on the Dodge and \$1050 on buying the Pontiac back; \$1900--something, if you want to throw in the \$400 on the side.

Senator Connally. Wait a minute. How do you figure \$1000 on the Pontiac?

Mr. Arnold. I bought it back.

Senator Connally. I know you did. But you only paid \$500 buying it back.

The Chairman. He entered his original profit on the other sidethere.

Mr. Arnold. Yes, sir.

The Chairman. All right. What is the net?

Mr. Arnold. The difference there is \$50 profit, counting the Chevrolet.

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The Chairman. Senator O'Daniel?

Senator Hawkes. I would just like to say at this time that there is a little difference of opinion between the witness, Mr. Arnold, and myself, in regard to the Dodge car.

He figures a loss on the Dodge, and I figure a profit. But that is all right. You have figured it your way and I have figured it mine.

The Chairman. Senator O'Daniel?

Senator O'Daniel. Can you tell me, Mr. Arnold, what the ceiling price was on the Dodge?

Mr. Arnold. It was \$1240-some odd, with what it had on it.

Senator O'Daniel. \$1247?

Mr. Arnold. Yes, sir.

Senator O'Daniel. And you say it cost you \$2,000. You just now said it cost you \$2,000, and you sold it for \$1900, representing a \$100 loss. If the ceiling price was \$1247, and you paid \$2,000, you paid considerably over the ceiling, did you not?

Mr. Arnold. Senator, I thought I made that clear. I had a car that was worth about \$800. I gave that car and about a thousand dollars for the Dodge. That car and about a thousand dollars was given for the Dodge.

Senator O'Daniel. That is \$1800.

Mr. Arnold. All right, sir.

Senator Hawkes. Mr. Arnold, will you let me help you a little bit, because you have made a statement that is wrong and

23 is not in accordance with what you said a few minutes ago.

You will find in the record, when you read it, that you said the dealer allowed you \$280 for your old car, did you not?

Mr. Arnold. He had just allowed me \$250; yes, sir.

Senator Hawkes. \$250?

Mr. Arnold. Yes, sir.

Senator Hawkes. I think you will find it is \$280 in the record, but if it is \$250: now you say that you paid \$1240 for the car and you gave a thousand dollars. The \$1250 and the \$1240 do not even match.

Mr. Arnold. It was around between \$1240 and \$1250, Senator.

Senator Hawkes. Well, you did not say that.

Senator Connally. He said he gave the car and around a thousand dollars. He did not say exactly a thousand dollars.

Mr. Arnold. That is right, sir.

Senator Hawkes. Well, if you said around a thousand dollars, it missed me. I do not know what the record will show. I carried in my mind that you paid that for the car.

Mr. Arnold. Around a thousand dollars. I gave my car and around a thousand dollars for the Dodge.

Senator Hawkes. Well, what does "around a thousand" mean? Do you remember what you gave for the Dodge?

Mr. Arnold. Take \$250 from \$1243.

Senator Hawkes. Then you gave \$993?

Mr. Arnold. Plus my car. That is right, sir. My car was

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worth around \$800. I imagine the ceiling was right at that -- I am not sure -- with the second engine in it.

Senator Hawkes. But the truth of the matter is this: of course, the things that happened to you with the Dodge, and the accident, and so forth, were such that if the ceiling price was \$1240 and you sold it for \$2,000 --

Mr. Arnold. I sold it for \$1900 during the time the CIO coal strike was on.

Senator Hawkes. Then you really got \$660 more for the Dodge than the ceiling price for a new Dodge?

Senator Connally. The ceiling price was off then.

Mr. Arnold. It was all off then, yes.

Senator Hawkes. But I am talking about the ceiling price when you had the car. What was the price afterwards? The price went up instead of down, did it not?

Mr. Arnold. Yes, sir.

Senator Hawkes. How much?

The Chairman. Let us get this straight. Senator Hawkes, are you bringing him within a period when there was a ceiling?

Senator Hawkes. Well, he was within a period when there was a ceiling. And his own testimony shows that he paid the fellow a hundred dollars, which he had a side agreement with him on, that he was going to get that if the ceiling price of the automobiles was raised.

The Chairman. But you are making no point beyond that?



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Senator Hawkes. No, no point beyond that.

Senator O'Daniel. The point I am trying to find out is, Mr. Arnold: you gave your Plymouth, which you say is worth \$800 cash --

Mr. Arnold. I said it was worth that, and I could have got at least OPA ceiling cash for it, because I couldn't have sold over OPA ceiling price. In other words, a car was worth more than the ceiling price, you know. That was the ceiling price, which was a certain amount, and you couldn't sell one for more than that, and I didn't get the ceiling price when I traded it in, but it could have been sold for that.

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Gibson  
fols.

Senator O'Daniel. You got more than the ceiling price, did you not?

Mr. Arnold. Sir?

Senator O'Daniel. You got more than the ceiling price, did you not?

Mr. Arnold. No, sir.

Senator Hawkes. Senator O'Daniel, you are talking about one thing, and he is talking about another. You are talking about his getting more than the ceiling price that had existed when he sold the new car. There was no crime in that. Now he is talking about the ceiling price on his little Plymouth that he turned in for the Dodge, and he only got \$280, according to him, for that.

Senator O'Daniel. I am talking about the price he paid when ceilings were on, the price he paid for the Dodge, which was \$1,000 cash and \$500 ceiling price on the old Plymouth, which he could have received. That would be \$1,500. However, Mr. Arnold testified that the Plymouth was worth \$800 and the ceiling was \$500. So, using the ceiling of \$500 and \$1,000 cash, he paid \$1,500 for a Dodge automobile on which the ceiling, he testified, was \$1,250 or \$1,247. He paid above the ceiling.

Senator Hawkes. Well, he got mixed up in that thing, and in addition to that he has admitted that he made a technical error in giving this Dodge dealer \$100 cash besides that.

Senator O'Daniel. But these figures, Mr. Hawkes, do not

include that.

The Chairman. Let us back up. Will you straighten that out?

Mr. Arnold. Yes, sir. I gave around a thousand dollars and my car for the \$1,243 car. The ceiling was \$1,243. I gave my car and 900-some-odd dollars.

The Chairman. That is what you testified to. Now, what is your point, Senator O'Daniel?

Senator O'Daniel. The point is that the cash value at least was \$500.

The Chairman. But he did not get it. Did you get it?

Mr. Arnold. No, sir. I did not sell the car, because, if I had, I would not have got the new car. I had to trade it in.

The Chairman. You testified to that.

Senator Hawkes. Now, Mr. Chairman, we are looking for information.

The Chairman. That is right.

Senator Hawkes. Is there any automobile man here in the room that will tell us under oath where it was illegal to trade a car in for \$280 on which there was a ceiling price of \$500, and pay the balance in cash?

Mr. Truitt. I would like to tell you something on that, although I don't know anything about the deal.

Senator Hawkes. Well, I am asking you just this specific question.

Mr. Truitt. Was it a '37 model Plymouth?

Mr. Arnold. Yes, sir.

Mr. Truitt. I would say the ceiling price was around \$500 wholesale. That would be about right. I imagine, retail, it would be on ceiling around \$650.

The Chairman. Is there any dealer in the room prepared to testify that it was an illegal transaction?

Mr. Truitt. No, sir, it was not.

The Chairman. Is there any dealer in the room that will testify it was an illegal transaction? (No response.)

Now, let us rest that.

Senator O'Daniel. I am not endeavoring to show that it is legal or illegal, Mr. Chairman. I am taking his testimony, in which he said he gave a car that was worth \$500 cash; that was the ceiling, and he could have gotten more than that. Now, he takes some cash and a car that is worth \$500 cash, and which amounts in total to about \$1,500, and he bought a \$1,247 car. Consequently, he paid above the ceiling price. Is that not right?

Mr. Arnold. No, sir, that is not the fact at all.

The Chairman. Senator Connally?

Senator Connally. May I suggest that whatever the ceiling might have been, and whatever he thinks that the car might have been worth, a great deal depends upon the condition of the car and the willingness of the dealer to take it for \$500. He might

not take it for over a hundred, because it might not be in condition, and the ceiling presupposes that the car is in good shape and somebody wants to buy it at the ceiling price. That does not follow at all.

Senator Hawkes. Senator, he has previously testified, which you will find in the record, that he could have sold the car for \$800.

Senator Connally. That is pure speculation.

Mr. Arnold. I said if no ceiling had been on.

Senator Hawkes. That is what it means: that it would have been worth that if you had not been limited by the ceiling.

Mr. Arnold. That is what I think. That is my opinion.

Senator O'Daniel. But he could have legally sold it for \$500 wholesale or \$600 retail, under the ceiling.

The Chairman. You paid him how much -- \$993?

Mr. Arnold. \$993.

The Chairman. Plus your car, to get a new car?

Mr. Arnold. That is right.

The Chairman. And to get that car, that was the deal you had to make?

Mr. Arnold. That is right.

Senator Hawkes. Did you pay for that car by check or cash?

Mr. Arnold. I paid for that car by check. I remember that I paid it by check. That is right, sir.

Senator Hawkes. You paid approximately \$990 by your check?

Mr. Arnold. Yes, sir, and I was satisfied with the trade. I was completely satisfied.

The Chairman. Proceed, Senator O'Daniel.

Senator O'Daniel. Well, I would like to get the information, Mr. Arnold, about this fifth car or sixth car that you bought for a war veteran. What was the name of the war veteran?

Mr. Arnold. Is it necessary that I answer that question?

Senator Hawkes. I should not think you would object to that.

Mr. Arnold. The name of this war veteran is H. T. Miller.

Senator Hawkes. Is that the same Miller in Dallas?

Mr. Arnold. That is H. T. Miller; that is right.

Senator Hawkes. Is that the same Miller that was around there trying to sell the Dodge?

Mr. Arnold. No, sir, he did not try to sell a Dodge for me. He mentioned it to this fellow across the street. This fellow had a business across the street, and he mentioned it to him.

Senator Hawkes. Is that the Miller who is the husband of your secretary?

Mr. Arnold. Yes, that is right.

Senator Hawkes. Then that is the same Miller we have been talking about.

Senator O'Daniel. Now, from whom did you purchase this car?

Mr. Arnold. I will let the fellow who furnished the car for this fellow explain. He is in the audience.

Senator O'Daniel. But I am asking you. Do you not know whom you purchased it from?

Mr. Arnold. Yes, sir.

Senator O'Daniel. What is his name?

Mr. Arnold. Ashcroft.

Senator O'Daniel. Ashcroft?

Mr. Arnold. Yes, sir.

Senator O'Daniel. His initials?

Mr. Arnold. I have forgotten.

Senator O'Daniel. Where does he live?

Mr. Arnold. Sulphur Springs.

Senator O'Daniel. At Sulphur Springs?

Mr. Arnold. Yes, sir.

Senator Hawkes. What is his business?

Mr. Arnold. He is an automobile dealer. I asked him to deliver a car to this war veteran as soon as he could, because the war veteran needed the car in order to operate the business he is in.

Senator O'Daniel. What kind of a car was it?

Mr. Arnold. It was a Ford.

Senator O'Daniel. And what was the price?

Mr. Arnold. \$1,297 or \$1,298.

Senator O'Daniel. How did you pay for that?

Mr. Arnold. The war veteran paid for it.

Senator O'Daniel. In whose name was it registered?

Mr. Arnold. I believe that that car was delivered to me in my name at my request, so I could turn it over to him, due to the fact that this dealer was perfectly willing for me to do this war veteran that favor. The war veteran furnished the money.

Senator O'Daniel. It was registered in your name?

Mr. Arnold. That is right.

Senator O'Daniel. Well, then, you were the owner.

Mr. Arnold. Whatever you want to call it.

Senator O'Daniel. Is it not the law in Texas that the cars must be registered in the owner's name?

Mr. Arnold. Whoever registers a car is the owner, if that is what you mean.

Senator O'Daniel. Then you were the owner of that car.

Senator Hawkes. Let me ask you, Mr. Arnold: How long did you leave the car in your name?

Mr. Arnold. I don't know. The car was brought to Dallas by Mr. Ashcroft and delivered right then and there and turned right over to this war veteran.

The Chairman. You had no possession of the car at all?

Mr. Arnold. No, sir.

The Chairman. Did the war veteran reimburse you for the money?



Mr. Arnold. The war veteran's money was paid to Mr. Ashcroft..

The Chairman. Then and there?

Mr. Arnold. Then and there.

The Chairman. You had no money in it at all?

Mr. Arnold. No, sir.

Senator Connally. Did you make any money out of the deal?

Mr. Arnold. I had no money in it in any way, none whatsoever.

Senator Hawkes. How long did the war veteran keep the car?

Mr. Arnold. The war veteran has the car, using it in his business and making a living.

Senator Hawkes. Did you say what time you bought that car, when it was?

Mr. Arnold. No, sir, but I am sure this dealer can tell you. He is here.

Senator Hawkes. I mean, do you not know about what month it was?

Mr. Arnold. Oh, I would say it was along in June or July of last year.

Senator Hawkes. Of 1946?

Mr. Arnold. Yes, sir.

Senator O'Daniel. Was there any trade-in value, any trade-in on that?

Mr. Arnold. He did not have anything to trade in. He was

engaged in a business where he couldn't carry on in the business without a car, and I got this dealer to let this man have the car. And I did it as a friend to the serviceman. He had been back from the war theater for about 7 or 8 months and had been without a job. And since then, he got his job with it, and since then has been carrying on the business.

The Chairman. What is his business?

Mr. Arnold. He is the manager and salesman of a Texas pecan-shelling business there, and the owner is about 74 years old and not able to carry it on.

The Chairman. What were your relations with the dealer that prompted him to supply this car on your request?

Mr. Arnold. We had been friends for many, many years, and he came back from the war himself, and I guess I have seen him in Dallas, oh, lots of times, just lots of times. And way back there when I had the Dodge, or when I had the Plymouth, he told me he would deliver me a car sometime if I needed one, in exchange for the Plymouth. And then later he told me that he had a car for me. I told him I did not care for it at all, but I had a war veteran that needed one bad. He is in the audience. He will tell you about it. I would just rather that he would tell you.

The Chairman. Senator O'Daniel, you may proceed.

Senator O'Daniel. Mrs. Miller's husband?

Mr. Arnold. Mrs. Miller's husband, who had been in the

war 3 years.

Senator O'Daniel. When did he come back?

Mr. Arnold. He returned from the war about a year and a half ago.

Senator O'Daniel. Well, now, when I was asking you about this car, you were confused about whether it was this car or another one. Is there another car, now?

Mr. Arnold. No, sir.

Senator O'Daniel. This is the last one?

Mr. Arnold. That is all.

Senator O'Daniel. You have not bought for yourself or your friends any other car since the war ended?

Mr. Arnold. No, sir, I have not had anything to do with the getting of any car for any other friend or anybody else, and the only thing that I have done along that line for friends in addition to that is to help the war veterans get jobs. And I have helped many get jobs there in different places, different agencies. And I have given, I would say, 80 or 90 jobs in my own agency.

Senator O'Daniel. Well, you understood, of course, that the war veterans were trying to get cars the same as other people?

Mr. Arnold. That is right.

Senator O'Daniel. Well, why did you not sell this Pontiac to a war veteran?

Mr. Arnold. Senator, I went to a bank in Dallas and offered to sell this Pontiac to this man, who had been back from the Army for a year or so and had been in need of a car, and he was a friend, and I offered to sell it to him at exactly what the Pontiac cost me, in order to be able to pay for the Packard. And I have his affidavit here to that effect.

Senator O'Daniel. The banker was a veteran too?

Mr. Arnold. Yes, sir, and he covered that in here, I believe (indicating).

Senator O'Daniel. Well, that is all right. You have answered my question.

The Chairman. We will come to that.

Senator O'Daniel. Now, with reference to that check you have there, that you paid for the Packard: what is the date of that check?

Mr. Arnold. The date of this check is December the 18th.

Senator O'Daniel. 1946?

Mr. Arnold. 1946.

Senator O'Daniel. And the amount?

Mr. Arnold. \$1,983.46.

Senator O'Daniel. Now, can you tell me how much money you had in the bank account in that bank at the time you wrote that check?

Mr. Arnold. No, sir, but the banker that called me on this check and said, "What has gone wrong?" is here in the

audience.

Senator O'Daniel. Well, you did not have enough money in the bank to cover that check?

Mr. Arnold. I had very little in the bank.

Senator O'Daniel. You wrote this check for an excess amount over your bank account?

Mr. Arnold. That is right, sir.

Senator O'Daniel. Approximately \$900 excess?

Mr. Arnold. Well, it was probably more than that. I don't know. That has been brought out, of course: that I had the money there when I left, to deposit --

Senator O'Daniel. In this bank?

Mr. Arnold. No, sir.

Senator O'Daniel. Well, then, you wrote this check on the bank without having the money in the bank; enough to pay the check?

Mr. Arnold. At the time the check was given, that was true.

Senator O'Daniel. Is that a violation of the Texas law?

Mr. Arnold. Well, Senator, I don't know whether you would call that a violation or a technical violation; I just don't know. I know one thing: I have been banking at this Greenville National Exchange Bank -- that is my home, Greenville -- I have been banking there for 30 years, I guess, or 20 years, or some time along there. And my banking with them had always been

satisfactory, as far as I know, for at least 20 years, and I don't know what the cashier of this bank will tell you, but get him up here on the stand, and whatever he says is all right with me.

Senator O'Daniel. Well, that is what you would call a hot check, is it not?

Mr. Southworth. May I make a statement? When he gave us that check and purchased that car, he asked us to hold it for 2 or 3 days.

Senator O'Daniel. Did you hold it for 2 or 3 days?

Mr. Southworth. We held the check until the 19th. I believe, if I remember correctly, that he purchased the car on the 17th and postdated the check. And he deposited the check on the 19th.

The Chairman. All right.

Senator O'Daniel. The check was deposited. You did not have the money on the 19th, on the date when it was deposited?

Mr. Arnold. Senator, I did not have the money in the bank when this check was given. And I remember very well, of course, asking him to hold the check up for 2 or 3 days, but they did not do it, because it is endorsed. It was put here in the Amarillo bank on the 19th.

Senator O'Daniel. You did not have the money there to cover the check in full when it was written, or when it was deposited, or when it got back to the bank for payment, did you,

at either one of these three times?

Mr. Arnold. I believe that is right. I am not sure. The records would show.

Senator Hawkes. You realize, Mr. Arnold, because you are dealing with accountants all the time and you must realize it, that you made a mistake in doing the thing that way. I mean, it must have come to your mind that you made a mistake. Whether it was intentional or not, you certainly made a mistake. Do you agree with that statement?

Mr. Arnold. Well, Senator, I was just figuring my Dodge money to cover the sale of that car. And I gave the check for it, and I told them at the time that that check -- that there was not money there to cover that check; and they understood it thoroughly.

Senator Hawkes. But let me ask you a question there, Mr. Arnold. When you got back and found your Dodge money was gone -- no matter where it went, it never was deposited, you said yourself, in your account -- when you got back and found your Dodge money was gone, did it not occur to you that you ought to telephone these people not to put that check in, because it was not good?

Mr. Arnold. I told them to hold it, and they did not do it. I told them when I gave them the check that I did not have the money in the bank; that I would have to deposit it, and that I would. And they did not hold the check.

Senator Connally. Did you deposit it? Did you square it up with the bank?

Mr. Arnold. Yes, sir. I don't know what the banker will testify to you.

Senator Connally. You know whether you covered the check or not.

Mr. Arnold. Oh, yes, absolutely.

Senator Hawkes. How soon after they called your house did you make good on that check?

Mr. Arnold. I sold the Pontiac that afternoon of the day he called, and took the money from the sale of the Pontiac, which was a check, over to Greenville that night for deposit.

The Chairman. You got it in the bank the next morning?

Mr. Arnold. Yes, sir.

Senator Hawkes. That was the \$2,400 you got for the sale of the Pontiac?

Mr. Arnold. Yes, sir, and that is why I sold the Pontiac: in order to pay this check off.

The Chairman. Proceed, Senator.

Senator O'Daniel. When you sold this Dodge and got that check, you said you took the check down and cashed it and got the cash.

Mr. Arnold. Yes, sir.

Senator O'Daniel. What did you do with that cash?

Mr. Arnold. Senator, I don't remember --



Senator O'Daniel. You said you left the money there with somebody in your organization to pay for the Pontiac.

Mr. Arnold. I believe -- maybe Mr. Walls would know -- it was around two or three hundred dollars in bills that I got from the bank, from cashing the check, and the other was used to buy --

Senator O'Daniel. You sold the Dodge for \$1,900?

Mr. Arnold. That is right, sir.

Senator O'Daniel. Well, in what form was that \$1,900 that you received?

Mr. Arnold. They gave me a check, and I went to their bank and cashed it out there, close to where the place is.

Senator O'Daniel. And got the \$1,900 in cash. That is what I asked you: what you did with the \$1,900 in cash.

Mr. Arnold. I had what I thought would be pretty close to the price of the car.

The Chairman. Did you not testify you had a cashier's check, which you had to pay for to get at the bank?

Mr. Arnold. And two or three hundred extra.

The Chairman. And you had a fund of two or three hundred dollars, because you did not know the exact amount, and therefore you equipped your assistant with that cashier's check, plus, as I recall, a couple of hundred cash dollars; is that right?

Mr. Arnold. That is exactly right, sir.

Senator O'Daniel. What bank was that cashier's check on?

Mr. Arnold. I don't remember.

Senator O'Daniel. What bank do you do business with in Dallas?

Mr. Arnold. In Dallas? I don't do business with any bank in Dallas.

Senator O'Daniel. Did you buy this cashier's check in Dallas?

Mr. Arnold. Yes, sir.

Senator O'Daniel. And you do not know what bank you bought it from?

Mr. Arnold. No, sir, I don't know what bank it was bought from.

Senator O'Daniel. But you bought a cashier's check in Dallas?

Mr. Arnold. A cashier's check was bought.

Senator O'Daniel. Did you buy it?

Mr. Arnold. Sir?

Senator O'Daniel. Did you buy it?

Mr. Arnold. No, sir, I didn't buy it. I sent somebody to go get it for me, because I was busy.

Senator O'Daniel. Whom did you send to go get it?

Mr. Arnold. You have got me there, Senator. There are so many things.

Senator O'Daniel. You do not know whom you sent and you do not know what bank you got it in?

Mr. Arnold. No, sir, I am not sure. I just don't know.

The Chairman. Is Mr. Walls in the room?

Mr. Arnold. He took it.

The Chairman. Of course he would know how he was paid for the car.

Senator Connally. Anyway, he was paid for it, whether it was a cashier's check, or what it was.

Mr. Arnold. Yes, sir.

Senator O'Daniel. Well, do you know anybody who can answer that question as to what bank that cashier's check was on, and who took your cash, around \$1,800 or \$1,900, and went to some bank and bought the check?

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Mr. Arnold. Senator, I believe I know, but I just am not sure, and I just hate to answer a question about which I am not sure.

Senator O'Daniel. You must have had somebody in whom you had some confidence, a great deal of confidence?

Mr. Arnold. I paid for the car.

The Chairman. Senator O'Daniel, what is the relevancy of the question?

Senator O'Daniel. I am just getting some information that I think is highly relevant to prove the point.

Senator Hawkes. I think it is very important, Mr. Chairman.

The Chairman. What is your notion of the relevancy of it?

Senator Hawkes. I think Mr. Arnold should be able to show where this money went, how it went, and to show that it was a transaction such as any ordinary business man would make.

The Chairman. He has testified that he bought a cashier's check.

Senator Hawkes. I understand, but he has not testified where he bought it.

The Chairman. But I mean, I am just trying to find out for myself, so that I can keep this testimony somewhat in line.

Let us assume that he does not know, or let us assume anything you please. What is the relevancy of where he bought it?

Senator O'Daniel. He said he bought the cashier's check at one point in his testimony, and later he said somebody else

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bought it.

Mr. Arnold. And what I mean is: I purchased it. The purchase was made with my money. I did not want a lot of cash money.

Senator O'Daniel. I think it is important, Mr. Chairman. I do not want to delay this hearing. But when we talk about black market operations or something that so nearly resembles it, and you send somebody with a lot of cash in their pocket down to some bank to get a cashier's check --

The Chairman. Are you prepared to introduce testimony that he was engaged in a black market transaction?

Senator O'Daniel. I think the testimony here has proved that he was engaged in the black market.

Senator Connally. There was not any black market then.

Senator O'Daniel. There was a black market when he bought the Dodge and he paid over the ceiling price on it.

The Chairman. Are you prepared to introduce any testimony that he did not pay for this Dodge with a cashier's check plus some equalizing sum of cash?

Senator O'Daniel. But I am trying to find out where the money came from, and who furnished the money.

The Chairman. He has testified that he got the money from the sale of the prior car. Are you prepared to refute that?

Senator O'Daniel. All that I am doing is asking the question as to who he sent with that money to that bank, and

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where he purchased the cashier's bank.

The Chairman. He has said he does not remember.

Senator O'Daniel. Well, he can not testify if he does not remember.

Senator Hawkes. Mr. Arnold, may I ask you: do you know how the cashier's check was made out? Was it made out to you and endorsed over, or was it made out to Mr. Walls' agency, or how was it made out?

Mr. Arnold. I don't remember. Mr. Walls will know.

Senator Hawkes. Well, Mr. Walls has gone.

The Chairman. The witness says that he does not know, and he says he does not remember who bought the cashier's check. And we are in a position, if we have any testimony, to clarify it, and if it is considered important, I assume there are ways of finding that out.

Do you suggest that we make any further inquiry of Walls?

Senator Hawkes. No, I would not go to Mr. Walls. I would just go to Mr. Arnold. I think Mr. Arnold has been very frank in what he has testified to. I would like to have Mr. Arnold find out where he got that cashier's check and whose name it was made out to, and who went with the money to get it, and report that to the committee.

The Chairman. Will you do that, Mr. Arnold?

Mr. Arnold. Yes, sir.

The Chairman. And will you notify us promptly, please.

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Senator Connally. I have no objection to his doing it, but I do not think it has anything to do with the pertinency of this case.

Senator Hawkes. That is a difference of opinion. It has a lot to do with it in my mind, and he wants to influence my mind to the best of his ability.

Senator Connally. I do not object.

The Chairman. Let us give him the opportunity to influence the Senator's mind.

You will get that information and get it promptly for us and furnish it to us?

Mr. Arnold. All right, sir.

The Chairman. Thank you.

(The information is as follows:)

5 Senator O'Daniel. Do you want, Mr. Chairman, to go into this exhaustive report?

The Chairman. What exhaustive report?

Senator O'Daniel. That Mr. Arnold made to the Internal Revenue collector that we discussed here today?

The Chairman. Not unless you have something to develop from it that bears on the qualifications of Mr. Arnold, and that would not otherwise come to the attention of the committee.

Senator O'Daniel. Well, may I ask Mr. Arnold his opinion of the report?

The Chairman. Go ahead.

Mr. Arnold. Yes, sir. Excuse me.

Senator O'Daniel. Did you make out the report yourself?

Mr. Arnold. No, sir. I turned the preparation of the report over to Mr. Dunlap. It was about two weeks' solid work. And it was detail work to keep somebody busy on it.

Senator O'Daniel. Do you think it was a good report?

Mr. Arnold. Yes, sir, I think it was a mighty good report, for the reason that we took our work load and divided it out by what one person could do per day, and actually arrived at work hours and work days for a certain number of people.

Now, I would like to add this to that; it is covered in the report: I was in charge of the office in 1943, 1944, and 1945, and there was a change in the Revenue Act in 1943, the Current Payment Act of 1943, which prohibited the handling of 1942



6 returns to any extent until the '42 and '43 were associated, because your liability was a certain proportion of each, and your 1943 was not filed until 1944. And there was a lapse of one cyl 11 or two years in there, where, as a result of legislation, the work had to stack up on audit.

Senator Connally. That is the same thing that Mr. Dunlap testified this morning; that he supervised the preparation, and he was chairman of the committee, and you called in the different chiefs of different divisions and all worked together and compiled the report?

Mr. Arnold. That is right, sir.

Senator Connally. It is the same report that Mr. Hankins of the Bureau testified about?

Mr. Arnold. Yes, sir.

Senator O'Daniel. Well, is there anything further that you know about the automobile transactions or any other automobiles?

Mr. Arnold. No, sir.

Senator O'Daniel. I do not believe I will take the time of the committee to go further into some other matters here at this time.

The Chairman. Are there any further witnesses? Miss Springer, you have some mail. Have you separated the mail so that we can have it put into the record by categories, those favorable to Mr. Arnold and those opposed?

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Miss Springer. As far as telegrams and letters that we have received in the committee are concerned, there have been none unfavorable.

The Chairman. Will you just read the names of those who sent wires, and where they come from, and those who have sent in letters and where they come from?

Miss Springer. May I supply that to the reporter?

The Chairman. Yes, right now.

Miss Springer. These are the telegrams:

From Gus P. Rosenthal, Tyler, Texas.

Henry E. Nettles, Certified Public Accountants, Wichita Falls, Texas.

John M. Stephens, President, The Peoples National Bank, Tyler, Texas.

Raymond Melton, Longview, Texas.

O. D. Hallum, Vice President, First National Bank, Longview, Texas.

W. R. Leggitt, Gladewater, Texas.

R. E. L. Silvey, Longview, Texas.

F. L. Hurley, Longview, Texas.

O. W. Fox, Longview, Texas.

W. K. McCraney, Public Accountant, Tyler, Texas.

Maynard Bullock, Longview, Texas.

James A. McCann, Sr., Longview, Texas.

Jack M. Carson, Attorney at law, Marshall, Texas.

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A. B. McLaughlin, Dallas, Texas.

L. R. Eddy, Vice President, East Texas Chapter, Texas  
Association of Public Accountants, Gladewater, Texas.

Mrs. R. B. Crawford, Dallas, Texas.

Betty Dunn, Dallas, Texas.

The Arco Oil Company, Dallas, Texas.

R. P. Rhea, Real Estate Dealer, Dallas, Texas.

The Chairman. Senator Connally, did you have something  
you wanted to put in?

Senator Connally. I have a great stack of letters and  
other things that I have not undertaken to put in the record.

The Chairman. I suggest that those matters be filed  
rather than put in the record.

Senator Connally. Well, they might be handled as has been  
done in other committees: just put the name and whether favor-  
able or unfavorable.

The Chairman. And will you do the same with the letters you  
have received?

Senator Connally. I shall do so.

(The information referred to is as follows:)

*Added to  
record*

9 The Chairman. Now, there has been some talk about affidavits. Let us get the affidavits in.

Senator Connally. Here is an affidavit by Mrs. Arnold about her husband's illness, and so on. It is rather brief.

"STATE OF TEXAS ¶

COUNTY OF HUNT ¶

BEFORE ME, the undersigned authority on this day personally appeared Annie Arnold, who being by me duly sworn on oath, says:

My name is Annie Arnold. I am the wife of E. E. (Earl) Arnold and reside in Greenville, Texas. I am the mother of H. E. Arnold. During the month of November 1946 my son, H. E. Arnold came to our home in Greenville, Texas, from Dallas, Texas, and advised me that Abb Brabham had delivered a new car for my husband, E. E. Arnold. I told my son not to speak to his father about this and actually not to go into his room as he had suffered another heart attack and was under his doctor's care. My husband is seventy-one years old and in the past ten or twelve years has had several severe heart attacks. His health generally had been very good for a few months prior to the attack which occurred during the month of November 1946, and prior to my son's visit referred to above. I advised my son, H. E. Arnold, to take the car back to Dallas and to wait any change in his father's condition. My son returned

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to Dallas and in a few days I wrote my son a letter and told him to get rid of the car because his father's doctor had ordered him not to use or drive a car for several months.

WITNESS MY HAND, this 24th day of February 1947.

/s/ ANNIE ARNOLD

SWORN TO AND SUBSCRIBED BEFORE ME, this 24th day of February 1947.

(Seal)

/s/ Roxy Mackie  
Notary Public, Hunt County, Texas."

Senator Hawkes. Senator, may I say there, because I would like to have Mr. Arnold correct his testimony so that it will conform to the affidavit:

You answered the Chairman that your father had not had any illness beforehand, and then you answered that he never had had a heart attack. Now, your mother says that he had several heart attacks before this one mentioned in the affidavit.

Mr. Arnold. Senator, everybody will say, make a statement, concerning a thing, depending over what period you are covering. Now, my mother -- I know exactly what she means. My father had a heart attack ten years ago. He had one five years ago. He was in bed a year on the first one; nine months on the second one. In the spring, February or March, along in there, or April, of 1946, he was sick, but not with a heart attack.

Senator Hawkes. I just wanted you to have the opportunity



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that the car was for sale due to the fact that his father's doctor had ordered him not to drive. He stated however that it would be several days before he could sell the car since his father was not able to sign a bill of sale. I looked at the certificate of ownership and it had been registered in H. E. Arnold's name, and being experienced in what was a good title to transfer in Texas, I told him that the only thing necessary for me to purchase the car was for him to sign the certificate of ownership. Mr. Arnold signed the certificate of ownership and the sale was thereby completed.

When I took delivery of the car, H. E. Arnold was requested to give me the keys which come with the new car. He stated that he had left the extra set of keys with his mother, who resides in another town and would furnish them to me whenever he obtained them from his mother.

There was nothing irregular about the purchase of the car by me from H. E. Arnold or about his sale of the car to me. His relations with me in connection with the matter were up and above-board.

The above statements are true and correct as recollected by me.

/s/ C. V. ROBBINS

Subscribed and sworn to before me this 22nd day of  
February, 1947.  
(Seal)

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/s/ Mrs. Ruth Starkey,  
 NOTARY PUBLIC, Dallas County, Texas  
 (Stamp) Mrs. RUTH STARKEY, Notary Public,  
 in and for Dallas County, Texas."

I believe that is all.

The Chairman. Senator O'Daniel, I would like to have your judgment as to whether or not we should have the transcript of today printed.

Senator O'Daniel. I would like to have a copy.

The Chairman. I am assuming I can get additional copies for each member of the committee, and I hope that will be enough.

Senator Hawkes. You mean one for Senator O'Daniel, as well?

The Chairman. Yes.

Senator O'Daniel. That is all I care about.

The Chairman. Then we shall see to it that we have enough copies so that Senator O'Daniel and every member of the committee will have one.

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Senator Connally. There are two other items, which I will have to get Mr. Hankins' consent to use.

May we use material in this file, Mr. Hankins?

Mr. Hankins. Senator, I would not think so. That is part of the Bureau file there, and I would not like to have it get out of my possession.

Senator Connally. I just thought we could copy it into the record.



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Mr. Hankins. It would be all right if it could be read into the record.

Senator Connally. All right. It is very short.

Here is a letter from the Civil Service, stating that he promoted some people over each other, or something of that kind.

Here is a letter from the Civil Service Commission to Mr. Arnold, Acting Collector of Internal Revenue, Second District of Texas:

"Dear Mr. Arnold:

This is to inform you that a representative of this office made an audit of the appointment actions in the Office of the Collector of Internal Revenue for the Second District of Texas this date and has found that all such actions have been in compliance with existing Civil Service rules and regulations. The cooperation which your staff accorded the Commission's representative in making this check is sincerely appreciated.

Very truly yours,

Samuel M. Ray,

Deputy Regional Director."

Now, I have a letter here about the race horse matter which is in this file, that I would like to read, or get a copy of. Would there be any objection to our getting a copy of that and putting it in the record?

Mr. Hankins. No, I do not think I could have any objec-

15 tion to that, Senator, because that really is Mr. Arnold's letter. He transmitted it to the Bureau in support of certain statements he made.

Senator Connally. The letter is addressed to the Commissioner of Internal Revenue by this woman. I can read it, very briefly.

Mr. Hankins. Mr. Arnold obtained that letter and sent it in.

Senator Connally. I could read it. I do not want to bore the committee, of course.

The Chairman. Is there any question about the letter? Do you know what the letter is that Senator Connally is going to read?

Mr. Arnold. Yes, sir.

The Chairman. Is it your letter? Would you mind showing it to him, Senator, so that we are sure we are all talking about the same thing?

Mr. Arnold. This was Senator O'Daniel's complaint to the Secretary and Treasurer, and it was answered by me in the Internal Revenue Department, Commissioner's Office, in Dallas, by furnishing statements from people that were familiar with the matter covered. And those are the statements, and those are the photostats.

Senator Connally. Let us stick to this letter, now.

The Chairman. Take a look at the letter and tell us whether

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you wrote that letter. Give us the date of it, and tell us to whom it was addressed.

Senator Connally. It is not written by him. It is written by this woman.

The Chairman. What is the woman's name, Senator?

Senator Connally. Mrs. Myra English Corn, Dallas, Texas.

The Chairman. What is the date of it, please?

Senator Connally. October the third, 1946.

The Chairman. Did you receive such a letter in the Commissioner's Office?

Mr. Hankins. Yes, sir.

The Chairman. Go ahead and read it.

Senator Connally. "Commissioner of Internal Revenue, Washington, D. C.

Dear Sir:

When my husband, Clarence English died, in 1940, he left me among other things, a stock farm 12 miles from town. Mr. Arnold was a friend of my deceased husband and, knowing him and his ability, I turned to him for advice on many personal matters on different occasions.

On one such occasion, in 1943, he said that he had a brood mare at his home in Greenville, and I suggested that he pasture it on my farm so that she would be closer. I told him that no kind of care could be furnished, because I was unable to keep a mare there. He asked me what

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I would charge, and I said I would charge him a fair price of \$2.00 per month for a grazing fee, provided the mare was just left in the pasture and furnished no care, shelter, or feed. I furnished no other accommodations, and no expense was incurred by me. Since that time, he has kept his brood mare on pasture at my place, and to my personal knowledge, his mare and annual foal have been kept at no other place except in his own lot at his residence.

Also, to my personal knowledge, neither Mr. Arnold nor any one else has trained any race horse for him on my pasture land. He has sold or given away each foal.

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I am sure that the following is an explanation of how some one is confused. During the year 1943, I called Mr. W. A. Thomas, the Collector of Internal Revenue, who was a friend of mine, and told him that I would like for him to hire my brother, Arthur Childress, if he was in need of a good man. Mr. Thomas told me to send Arthur to him. Arthur went and conferred with Mr. Thomas, who hired him, and told me that he had.

Several months later, I let my brother pasture his riding horse on my land, and since that time, my brother, Arthur, who pays me no pasture fee, and Mr. Arnold, who pays in full, have had Arthur's riding horse and Mr. Arnold's brood mare on my pasture, which has been owned by no other person except me and my husband for many years,

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as shown by county deed records.

Whoever thinks that my brother owns this pasture land thinks so only because he has had his riding horse there for so long and sees him out there.

Very truly yours,

Mrs. Myra English Corn."

As I said, the letter is dated October 3, 1946, and it is signed by Mrs. Myra English Corn, 3921 Euclid Avenue, Dallas 5, Texas.

While Mr. Arnold is on the stand, I might ask him about this horse, this mare.

What did you pay for her?

Mr. Arnold. Senator, I paid \$25 for her. She had a broken nose and couldn't breathe. But she was a pure blood thoroughbred. And I had to pay the transportation charges on her to my farm -- not to my farm; to my father's farm, up at Greenville, where I left her the first year or two. And it cost me a total of around \$60, or somewhere around there.

Senator Connally. Do you own any race horses, or have you owned any race horses?

Mr. Arnold. Senator, all on earth I have done is take this brood mare. I had one first, and I sold one, and this is the one you are talking about now. I bought one once and sold her at a loss. She was what you call --

Senator Connally. Why do you not answer my question? I

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asked you if you had any race horses or ever had any.

Mr. Arnold. That is what she is, Senator, a brood mare. The mare produces a thoroughbred foal each year, and I sell it or give it away. I sold one for \$20 and another for \$150. And then I got a fellow to handle the last one she produced, take it and break it, take it to another town, and there it sold for \$2,000. It was a pretty good one.

Senator Connally. Have you run any horses on the races at any time?

Mr. Arnold. I have never had anything to do with the training of them or even the exercising of them, galloping, breaking, or anything.

The Chairman. Did you ever enter one of your horses in a race?

Mr. Arnold. Senator, I turn over my annual foal --

The Chairman. Did you ever enter one of your horses in a race?

Mr. Arnold. I have never entered one; yes, sir.

The Chairman. You said "Yes, sir." Do you mean you have never entered any horse of yours in any race?

Mr. Arnold. I have never entered any horses of mine in any race.

Senator Hawkes. Has any one ever entered one of yours for you?

Mr. Arnold. Yes, sir.

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Senator Connally. For you or for himself?

Mr. Arnold. I would be glad to read this in connection with that (indicating paper).

Senator Connally. What is that you have got?

Mr. Arnold. It is a statement from Judge McKnight.

The Chairman. Mr. Arnold, the statement may be interesting, but we are trying to find out from you whether you have ever entered one of your horses in a race. You answered that in the negative. Senator Hawkes asked whether you ever had any one else do it for you. I understood you to answer that in the affirmative.

Mr. Arnold. I believe that I can not answer that question just "yes" or "no," and I will take about a minute and tell you about it.

The Chairman. Take about a minute and tell us about it, yes.

Mr. Arnold. You can't sell horses, walking horses or saddle horses or jumpers or thoroughbreds, except where there is a market. You have to send them there.

Now, I was selling mine that I produced, as I said, around \$150 at tops. Judge Alfred McKnight at Fort Worth suggested that when my little colt, my little foal, got around a few months old -- you know, a horse's age as compared to a man's is one to seven years. A two year old horse is like a fourteen year old boy. So he suggested that instead of my selling at the cheap

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prices around the farms, that I turn them over to him to sell for me, and sell at a commission. So he has taken two little ones of mine to the race track and sold one last year for \$2000. That is the difference in the price. You get \$150 or \$200, and then --

The Chairman. Did he enter your horse in the race?

Mr. Arnold. He did. I did not.

The Chairman. Did he enter it in your behalf?

Mr. Arnold. Sir?

The Chairman. Did he enter the horse in your behalf?

Mr. Arnold. I did not tell him to, if that is what you mean. I did not advise him to. He didn't ask me whether to or not.

The Chairman. Well, did he?

Mr. Arnold. He took it down there to sell for me where you can sell them.

The Chairman. And to sell the horse, is it your theory that he entered the horse in a race?

Mr. Arnold. To sell it. In other words, they are just like an oil lease. They are worth ten cents, or they are worth a good lot.

The Chairman. All right. The horse that you are speaking of was entered in a race and sold for \$2,000. And he ran the race, and then immediately afterwards, was sold? Or did he run some more races?



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Mr. Arnold. As I remember it, I wasn't down there, and I really had no way of knowing, but as I remember it, I believe he ran him two or three times, in what they call the "baby dash," about a two block long run.

Senator Hawkes. He ran in to make a showing so that he could get a price on the horse?

Mr. Arnold. That is right. He got \$2,000.

Senator Hawkes. And as you say, you did not ask him to. You just said that he would get more money by entering the horse in the race, and then people would pay him. That is perfectly plain to everybody.

Gibson  
fols.

Mr. Arnold. Yes, sir. I have never bought a horse to train or to sell. I bought the brood mare to produce the annual foal. You see, when the war started, when it looked like war, there in 1939, they had a Remount Service. They wanted you to breed to the Thoroughbred studs for the cavalry horses.

Senator Connally. Now, that is not necessary.

The Chairman. This horse that you entered, you sold for how much?

Mr. Arnold. \$2,000.

The Chairman. Was that out of this broken-nosed mare?

Mr. Arnold. Yes, sir.

The Chairman. Now, did you own a mare before that?

Mr. Arnold. I have only owned two brood mares in my life. I bought one and kept her a year or two and sold her and bought this one that I have got now.

The Chairman. And what did you get out of the first brood mare?

Mr. Arnold. The first brood mare? In money or in colts?

The Chairman. In colts.

Mr. Arnold. I got one foal out of her, and then from then on she was barren.

The Chairman. Were there any race incidents?

Mr. Arnold. No, sir. I sold her foal for a brood mare for \$150. That is all you could get down there. And then I sold another one that was sick, a little foal that was sick, for \$20.

The Chairman. The only horse that entered a race for you, or in your behalf or by some agent hoping to sell your horse, was this one incident you have told us about?

Senator Hawkes. There were two, did you not say?

Mr. Arnold. There were two. I sold one for \$150. Judge Alfred McKnight, that Senator O'Daniel knows, I am sure, a member of a firm there that has been there a long time --

The Chairman. I am just trying to get at the number of these horses.

Mr. Arnold. He has handled just two for me.

The Chairman. He handled two, and both of those ran in races?

Mr. Arnold. That is right.

The Chairman. And those are the only two?

Mr. Arnold. They are the only two.

The Chairman. And they are all out of what you refer to as this broken-nosed mare?

Mr. Arnold. That is right.

The Chairman. Have you any other interest in race horses?

Mr. Arnold. No, sir.

The Chairman. Have you any interest in races?

Mr. Arnold. No, sir, I have not been to races more than four or five times in the last 5 or 10 years.

Senator O'Daniel. The object of race horses is to sell them or make winnings, so you were engaged in the race-horse

business if you were having your horses entered in the races for the purpose of increasing the sales price of them; is that not right?

Mr. Arnold. I did not have them entered, Senator.

Senator O'Daniel. Well, your horses were entered.

Mr. Arnold. I turned the horse over to Judge Alfred McKnight and his men. He has his own men.

Senator O'Daniel. Well, you profited by their being entered and increasing the price and getting your \$2,000.

Mr. Arnold. That is the only way you can sell them.

Senator O'Daniel. Well, you could sell them for a lower price. But you profited by their engaging in races.

Mr. Arnold. That is right, sir.

Senator O'Daniel. Where did they run?

Mr. Arnold. The only place I know of -- I know that the only place that the one he sold for me ever ran before he sold it was down at New Orleans.

Senator O'Daniel. Did any of them run at the races over in Arkansas where you and your deputies went?

Mr. Arnold. No, sir.

Senator O'Daniel. Who went to the races with you in March, over in Hot Springs?

Mr. Arnold. Well, Senator, I imagine that there were about 10 or 15 or 20 people there from Dallas that I knew.

Senator O'Daniel. I mean from your department.

Mr. Arnold. Well, as I remember, the races last about a month there, and I imagine 20 or 30 went, off and on; I mean at some time during the races.

Senator O'Daniel. Could you give us the names of those who went?

Mr. Arnold. No, sir; I do not keep up with them, where they go, and when they take leave.

The Chairman. Did you form a party to go?

Mr. Arnold. No, sir.

The Chairman. You just went by yourself?

Mr. Arnold. No, sir.

The Chairman. Who went with you?

Mr. Arnold. Ralph Kenniston took me.

The Chairman. And those were the only two?

Mr. Arnold. No, sir. This Mr. Lowry; and there was no one with him at all.

Senator Connally. He is asking who went with you.

Mr. Arnold. Ralph Kenniston took me.

The Chairman. Now, was the party any larger than that, your party?

Mr. Arnold. I am trying to remember. Ralph Kenniston went, and Mr. and Mrs. Miller went, and that was all that were in the car.

The Chairman. And that was all in your party?

Mr. Arnold. Yes, sir.

The Chairman. And this 20 or 30 went on their own initiative on their own time? You did not promote them into going, and had nothing to do with their going; is that correct?

Mr. Arnold. That is right.

The Chairman. All right. Are there any further questions?

Senator O'Daniel. I would just like to refresh his memory a little on this. Ralph Kenniston went?

Mr. Arnold. Yes, sir.

Senator O'Daniel. The Field Division Chief?

Mr. Arnold. Yes, sir.

Senator O'Daniel. John Dunlap?

Mr. Arnold. No, sir; I don't think he went.

Senator O'Daniel. The Chief Field Deputy?

Mr. Arnold. He was there one day, around Derby Day, as I remember it.

Senator O'Daniel. And your secretary, Mary L. Miller?

Mr. Arnold. And her husband. You see, her husband does not work for the Department there. Her husband doesn't work for the Department.

Senator O'Daniel. Why did you go to the races? At whose invitation?

Mr. Arnold. At the invitation of Leo P. McGoggin, as I remember.

Senator O'Daniel. That is the last race you went to?

Mr. Arnold. No, sir. Let's see. When was that? When I

came here to the meeting that was called, the committee hearing on me -- that must have been about 2-1/2 weeks ago -- I couldn't get transportation to Dallas, and I went by way of New Orleans, and I stopped on the way back that one day in New Orleans and went out to see the races. That is the only time I have been.

Senator O'Daniel. That was since the Hot Springs races?

Mr. Arnold. Yes, sir. That was the only time.

15) Senator O'Daniel. And was the rest of your department with you there?

Mr. Arnold. No, sir; I came up here by myself, Senator, to attend the meeting.

Senator O'Daniel. That is all.

Mr. Arnold. I was on my own expenses, by the way. When I came up, I paid my own way. I didn't come at Government expense.

The Chairman. You are excused. Thank you for coming.

We stand adjourned, and we will hold a special executive meeting to act on the matter later on at some mutually convenient time.

(Whereupon, at 8:15 p. m., the committee adjourned.)

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