

WSM, March 30, 1947

Good Morning, Friends:

last the
After a long and heated debate, the House of Representatives passed
for the law
a bill drastically reducing federal taxes last Thursday. The republicans
argued that the war was over and that people were entitled to relief from
war taxes. They argued further that they were going to reduce government
expenditures sufficiently to justify the reduction in taxes.

contended
On the other hand, the democrats ~~argued~~ that tax reduction was
maintain a sound and solvent government and to
desirable but that our first obligation was to make a payment on the war
debt. The fighting has stopped, the democrats said, but the war hasn't been
paid for yet. It is imperative that the public debt be discharged.

Some of the republicans came back by saying that the democrats were
in power when the debt was created, and insinuated that *because of that* they were not going
to be *too much* concerned about it.

259B
The democrats argued back that the huge public debt was not a
political question; that the debt was created in order to win a war in which
all Americans and all political parties were engaged and that the debt was
an obligation of all Americans and all political parties and neither party
or could afford to
should consider it lightly.

said
The Republicans ~~argued~~ that they were for a balanced budget *alright* and
thing
that they were for paying some on the public debt. The democrats would
say, "Yes, but you can't make a payment on the public debt unless you have
make a payment
something to pay it with and if we are ever going to pay some on the public
while
debt, now is the time to do it ~~when~~ the national income is high."

The the republicans came back and said, "We are going to make a payment on the public debt because we are going to cut down on government expenditures and we will have enough money left ^{even after} ~~from these~~ ^{ing} lowered taxes to ^{make a payment} ~~on~~ on the debt."

^{shot back} But the democrats argued, "You haven't shown us any economy yet." ^{Why don't you wait until you ~~have~~ actually cut expenditures before cutting taxes? You are putting the cost upon the house.} Well, what has been done about economy so far? For one thing, the House passed a resolution saying they were going to cut the President's budget six billion dollars and the Senate passed a resolution saying they were going to cut the President's budget by four and one-half billion dollars.

But the question is not what Congress is going to do, but what ^{has} ~~is~~ Congress ^{done so far.} ~~doing.~~ The House of Representatives has considered a little more than 40 percent of the President's budget ^{time for} and they have actually reduced that much of the President's budget by less than one percent. Indeed, with only two regular appropriation bills passed, the House of Representatives has ~~only~~ already appropriated 50 percent more money than was appropriated to run the whole government in 1938. In 1938 the Congress appropriated eight billion dollars to run the entire government. In only two bills this Congress, more than 14 billion dollars in appropriation bills has already been passed by the House. Now what does that mean? I have related this fact not to claim that the republican party is especially a spend thrift party nor do I wish to indicate that the party does not want to ^{reduce} ~~cut down~~ expenditures. ^{They do and are trying to do so.} I cite this ^{facts} to show that the cost of government has greatly increased since 1938 and that there isn't much that the

republicans or the democrats can do about it.

For instance, in 1938 the interest on our public debt was only a comparatively small item in the budget, but this year the interest ^{on our war debt} costs five billion dollars, and there isn't anything we can do about it but pay it.

Of course, the Democrats who have cringed for several years ^{under} the Republican spendthrift charges are deriving some pleasure out of the discomforture of the Republicans as they come face to face with their responsibility of either making appropriations for essential Government ^{obligations} ~~services and obligations~~ or in denying appropriations and thereby

repudiating Government obligations and stopping Government services.

For instance, when the bill making appropriations for the Post Office

Department was under consideration the Democrats asked the Republicans ^{chop out of that Dept.} how many Bureaucrats they were going to fire. They pointed out that

there were 490,000 employees in the Post Office Department. ^{alone.} What are

you going to do with all those Bureaucrats, ^{The Same.} ~~some Democrats~~ asked of the

~~Republicans~~. Of course, the Republicans had no answer expect to say

that the Post Office Department was an established agency of Government

and it was necessary to make appropriations for Postmasters, rural mail

carriers, Postal mail service, city delivery, Post office clerks etc.

The Democrats said, ^{that is what} Well, we have realized all along ^{but from your} ~~that it was~~ ^{campaign promises last year we} ~~necessary~~ thought you didn't ~~realize~~ think it was true.

So while the tax bill was under consideration, the Democrats kept asking where are you going to save that 6 millions dollars ^{bill} that you promised us that you are going to save. What's your hurry in passing this tax bill? *Are you afraid you will not be* able to save enough money to justify this tax reduction? *Or* Is it that you want to *hurry & pass* this tax bill because you ~~say~~ *now see* that you can't ~~reduce expenditures~~ *deliver on your promised reductions?* The Republicans came back and said that is nonsense. "We are going to cut expenditures and cut to the bone and we are going to pass this bill now whether you like it or whether you don't." *A* and that is just exactly what ~~did~~ happen. The bill did pass with every Republican but three voting for it. Most Democrats voted against it. Not because they were against reduced taxes *ing* ~~they said~~ *but because they* ~~approved the Kuntzen bill &~~ *but* because they felt that the solvency of the Government and a payment on the National debt should have priority over tax reduction. The bill now goes to the Senate and the Senators, both Democrats and Republicans, have indicated that they ~~would~~ *will* delay considering it until they can determine more about what our domestic expenditures will be and what our foreign commitments will cost us. *III* I was one of those who voted against the tax bill. Of course, it was not pleasant for me, or any other Member of Congress, to vote against reducing taxes. Everybody would like to have their taxes reduced and I am one of that group but I am unwilling to jeopardize the solvency of the Treasury

of the United States in order to go home and say that I voted to reduce

taxes. ~~In other words, I am one of those who think~~^I that we should

make a payment on the public debt before reducing taxes but even ~~if~~^{though} ~~ough~~

I gave tax reduction priority over debt reduction, as Senator Taft

says he does, I still would not favor the Knutson bill, which the

House passed. Now why do I say that?

I was opposed to the Knutson bill because in my opinion it is the most unfair, unsound, inadvisable, inequitable tax bill I have ever studied, read about or heard about. It violates the basic principles of the income tax which is taxation according to ability to pay. During the war, war taxes were levied to the extent which Congress thought the people were able to contribute to the stupendous cost of the war. I maintain that the war debt is still the obligation of every American citizen and that taxes not only to operate the government but to pay the interest on that public debt and to make some payment on the principle should be levied in accordance with the ability to pay.

There is an old adage that you can't get blood out of a turnip, which in tax matters is a way of saying that the man who makes the most money is the man who must pay the heaviest taxes. The Knutson bill in no way recognizes this principle of ability to pay. It reduces taxes by flat percentages and the grotesqueness of the results ^{is} ~~are~~ only equaled ^{their} ~~by~~ ~~their~~ unfairness.

For instance,

490 — get 1,441,000,000

Take home pay

operations, and then this tremendous burden of interest charge on our public debt, now an annual \$5,000,000,000 burden, may become unbearable. Then it may be that the confidence of the American people will be shaken in Government paper. When that confidence in Government paper is shaken, the very foundations of our national economy will be shaken, if not shattered.

However, the question today is not simply whether we favor payment on the national debt on the one hand or tax reduction on the other. Not at all. It is far more complicated than that. To vote for the Knutson bill you not only vote to give tax-reduction priority over debt reduction, but you vote for the most inequitable, the most unfair, the most unsound tax bill that it has ever been my privilege to read and study or hear about.

These charts serve to illustrate the points I wish to emphasize. The distinguished gentleman from Minnesota [Mr. Knutson] yesterday undertook to say that his bill did not violate the principles of ability to pay. Let me show you how war taxes were levied. They were put on to the extent which this Congress considered the people able to contribute to the cost of the war. Here are the percentages by which they were increased on various income levels over the 1939 tax rate, and the third column shows by what percent they would be reduced by this bill:

Percentage tax increase 1939-46—Percentage tax decrease 1946—H. R. 1

Married person with income of—	Percentage increase of 1946 tax over 1939 tax	Percentage increase of H. R. 1 tax over 1946 tax
\$1,200.....	(1)	30
\$1,500.....	(1)	30
\$2,000.....	(1)	30
\$3,000.....	4,650	20
\$5,000.....	898	20
\$10,000.....	427	20
\$25,000.....	185	20
\$50,000.....	150	20
\$100,000.....	44	20
\$303,396.....	34	16
\$500,000.....	24	13
\$1,000,000.....		

¹ No tax was levied on incomes of this amount in 1939. For 1946 the tax on \$1,200 was \$38; on \$1,500, \$95; and on \$2,000, \$150.

Let me say to the gentleman who spoke a moment ago that the war tax bills passed by almost unanimous vote.

Percentages can be deceiving. That is why 20 percent across the board is deceiving. But I am putting it on the basis of percentages, too. The percentages begin with this \$3,000 income. There was an increase of 4,650 percent 1946 tax over the 1939 tax. How much do you decrease it by this bill? Twenty percent.

Let us take the \$5,000-income bracket. It was increased 898 percent. How much do you decrease it? Twenty percent. So you are transferring the burden of the war debt from those most able to pay to the backs of those who are least able to pay.

"Take-home pay" is a democratic, workingman, farmer term. Every housewife knows what that means. It means what they have left to spend after paying

their taxes. For this \$1,200-a-year income man that we have heard so much about, you increase his take-home pay by 1 percent. Take a look at this table:

Under H. R. 1 (Knutson tax bill) as amended by Committee on Ways and Means

Married person with income of—	Percent increase in take-home pay
\$1,200.....	11.40 1.0
\$1,500.....	2.0
\$2,000.....	3.1
\$3,000.....	2.9
\$5,000.....	3.8
\$10,000.....	5.6
\$25,000.....	11.4
\$50,000.....	19.7
\$100,000.....	34.2
\$303,396.....	72.1
\$500,000.....	70.7
\$1,000,000.....	69.2

The CHAIRMAN. The time of the gentleman from Tennessee [Mr. GORE] has expired.

Mr. COOPER. Mr. Chairman, I yield the gentleman five additional minutes.

Mr. GORE. The \$303,000-income man gets a take-home pay increase of 72.1 percent—\$47,000.

The man who earns \$1,200 per year will receive an increase of \$11.40 in his take-home pay, per year.

What does this mean to him? How much can this man buy with that take-home increase. He may be able to buy a cheap spring hat for his wife. But what can the man with an additional take-home of \$47,000 do with his extra change? He can buy a dozen \$50 hats, a mink coat, pay the grocery bill for an entire year, buy a new car, buy a new home at \$20,000, and pay cash for it; buy a farm for \$10,000 for a hobby, and pay cash for that, too.

Moreover, he will have enough left to buy a yacht, I mean another yacht, for, of course, he probably already has one; and he can pay his membership in the golf club, take a cruise, a vacation, and still have \$5,000 left with which to gamble on the stock market. Is that what you are going to vote for? Well, that is what you will vote for if you vote for the Knutson bill.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. GORE. I am sorry; later. No wonder the gentleman is disturbed, but here is another chart I want to show the Committee.

By this bill, taking for granted that \$3,840,000 tax relief is conveyed by the bill, you will give tax relief to 4 percent of the taxpayers in the amount of \$1,441,000,000—and these are not my calculations. I asked the actuaries of the Treasury Department to supply me with this information, and they complied with my request.

Let us look now at the middle income group, making up 43.3 percent of the taxpayers. They will get \$1,378,000,000. And then this lowly income group which we have heard so much about, the 52.7 percent, get only \$877,000,000. Here it is in table form. This is what you will be voting for.

UNDER H. R. 1 (KNUTSON TAX BILL)

Four percent get \$1,441,000,000 tax relief.

Forty-three and three-tenths get \$1,378,000,000 tax relief.

Fifty-two and seven-tenths get \$877,000,000 tax relief.

Mr. Chairman, the author attempts to justify this on the promise that we are going to make drastic reduction in expenditures, that we are going to deeply cut cost of government. Weeks ago, this Congress voted a resolution to cut \$6,000,000.

A disagreement with another body developed. Then conferees were appointed and we waited for a meeting. Day passed and day passed; no meeting; then the weeks began to roll by and still no meeting. Finally the distinguished former chairman of the Ways and Means Committee made some reference to the strange procedure and promptly a meeting of the conferees was called for last Saturday. I was a member of that conference committee, and although I am not privileged to disclose to you what happened there, I assure you it was a rare privilege to attend, and I assure you further that those noted Aristotelian logicians of the Middle Ages who spent long hours debating upon whether there was a homo genus and how many angels could stand on the point of a needle would have felt delightfully at home in that conference.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield for an inquiry?

Mr. GORE. I yield.

Mr. McCORMACK. Where is this conference report now? Most of us are wondering where it is.

Mr. GORE. It is in the bosom of the Republican leadership of the Congress, and there I predict it will remain until the tax bill is passed.

Much has been said here today of the spending spree of the Democratic administration. Well, who are the spenders now? In the first two appropriation bills, this Republican House has appropriated 50 percent more money than was appropriated to run the whole Government in 1938.

Mr. COOPER. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. Madden].

(Mr. Madden asked and was given permission to revise and extend his remarks.)

Mr. Madden. Mr. Chairman, House bill 1, known as the Knutson tax bill, and sponsored by the Republican leadership of the House, will, if enacted into law, take its proper place alongside of other special privileged legislation for which the Republican Party has long been famous. The gentleman from Rhode Island [Mr. Forand] and other Democratic members of the Ways and Means Committee have sponsored an amended bill which will extend relief to the taxpayer in the lower brackets by increasing the exemptions. This is the only practical method to relieve the tax burden on the millions who create the purchasing power of America.

Our Nation is just emerging from the greatest world war in history and is heavily burdened with a terrific national debt. It is the contention of the opponents of the present bill that substantial payments must be made on our national debt and also to balance our Federal budget, and then our Government should make

a substantial reduction in Federal income taxes. The eighty-odd-million people who purchased defense bonds must not have the value of those bonds jeopardized by a politically conceived tax bill which will grant terrific reductions to the taxpayers in the high brackets. Our Government must continue on a sound fiscal policy and we cannot maintain it if the Republican leadership insists on playing politics with our tax structure. At no time in our history is the average American taxpayer better able to make substantial payments on our national debt than during these postwar years of prosperity. We must not postpone this responsibility of payment to some future date and have the burden fall on the shoulders of the boys who fought and won the war.

I fully realize that the Republican national committee promised the voters that they were going to cut Federal income taxes 20 percent across the board. The chairman of the Ways and Means Committee for several months has been assuring the American people that this would be done. We find that he has even retreated from his position.

The legislation which will undoubtedly pass the House this afternoon is nothing more than an empty gesture to the American people that the Republican leadership is carrying out its wild campaign promise. I do not believe that the Republican leadership in this House have any serious hope that House bill No. 1, as it now stands, will ever be enacted into law. This bill will merely serve as an instrument for the Republican national committee to present to their corporate campaign donors as evidence that they are endeavoring to recompense their benefactors for the great campaign slush fund of 1946.

Millions of the smaller American taxpayers will become acquainted with the tax-reduction provisions of this bill by the November election of 1948. They will then learn that the policy of the Republican leadership toward the masses has not changed since the lush days of the Republican leadership in the 1920's. Young America and the World War II veterans will see in this bill a scheme to pass on the double burden of both fighting and paying for World War II.

On account of the Republican majority, it will be impossible to defeat this bill, but I do hope that the Democratic membership remain solid and with the aid of a number of Republican Members, a sizable protest be registered against this ill-advised tax legislation.

Mr. REED of New York. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. MCGARVEY].

Mr. MCGARVEY. Mr. Chairman, much has been said lately of the need for party unity. For this reason, I am puzzled by those Republican Congressmen, who, in statements made on the floor of the House or to members of the press, openly criticize the proposed income-tax reduction.

This is a party measure. It helped us to win the election in November, and now we are being asked by some to forget its existence.

The original plan, calling for a 20-percent across-the-board reduction, has

been changed in favor of the present measure, but still the critics are not satisfied. They would prefer still further revisions, or, better yet, a complete shelving of the bill.

They call it a rich man's bill. They claim that it benefits those in the upper-income brackets to the detriment of the workingman and farmer. Mr. Chairman, to me this pitting of class against class sounds strangely like the beginnings of new dealism in the Republican Party. Apparently some of our Members have forgotten the answer to that question heard so frequently before the last election. Perhaps they have forgotten the question.

Well I, for one, have not forgotten that my constituents had enough and voted for me in a district that has not had a Republican Congressman in 16 years. And I would like to make it clear that it is not a rich man's district. The people in it are, for the most part, working people and low-income wage earners. These same people write me daily urging my support of this so-called rich man's bill.

One Congressman, who opposes the bill for reasons best known to himself, has decided that the new Members are to blame for the desire to produce an effective tax bill. As you can readily see, he picked an easy target. What does a freshman Member do in Congress but keep his mouth shut? His remarks that business interests have threatened new Members with withdrawal of their support in the next election unless they vote for the tax bill belongs in the interesting if true department; a polite way of saying pure "bunk."

If anyone has used coercion in regard to this matter, I would say it was he. This gentleman issues dire warnings of the loss of the little man's vote. To listen to him for any length of time, one would come to believe that we proposed to raise the income tax, instead of lowering it.

This distinguished gentleman is so engrossed with his press interviews that he apparently has not had the time for a careful study of the measure. If he had, he would see the folly of his rantings. Not only does this bill benefit the working man directly, by decreasing the tax on his income, but indirectly, by releasing a stream of venture capital from the upper income brackets into the field of productive enterprise. This would not only enable established businesses to expand, but allow the creation of new industrial undertakings. The obvious result is higher wages and more and better jobs for the working man, who, according to some, is so abused by this bill.

I would like to say here and now that though I may be a freshman in Congress, I am not a freshman in politics. I know what the people of my district want. They want tax relief, not 1 year or 2 years hence, they want it now. This is the Republican Party's first chance to give the American people what they voted for last November. It is expected of us. Let us, therefore, cease this useless talk of revisions and amendments. Above all, let us stop, right now, any move favorable to the complete abandonment of the measure.

This is a sound tax bill. It not only paves the way for better tax bills, but is a necessary start in the restoration of the economic stability of our country.

I therefore urge your enthusiastic support of this bill. This is our chance to show the American people that the Republican Party does not make a mockery of their campaign promises.

Mr. REED of New York. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. SPRINGER].

Mr. SPRINGER. Mr. Chairman, I desire to make a few remarks respecting H. R. 1, which is now pending before this Committee, and which measure provides for the reduction of individual income-tax payments. At the very outset, I wish to state that I intend to support this measure. It is high time that the people of this country have some tax relief. During the war, and since the end of the war, the people have struggled, and they are continuing that struggle, to save and to prepare for the payment of their income taxes. These are certain, as long as the law provides for such payments. It has been written that there are two certain happenings in our lives, and these are death and the payment of taxes. That statement is unqualifiedly true. These are "fixed charges" against us, and the only variation is in the amount of the tax charges, and this great legislative body has the power to fix just what that charge may be. In the pending legislation this body is called upon to fix the amount of the tax charge against the people of this Nation.

Mr. Chairman, the people are eager for some tax relief. In the passage of the pending bill, I am certain that relief will be extended to them. I am very proud of the fact that the Ways and Means Committee, has approached this problem upon the basis of the ability of the people to pay taxes, and they have seen fit to make a reduction to all those in the lower and small-income brackets; the small-income earner, regardless of what his vocation may be, is entitled to a reduction of his tax—he desires to enhance his power of purchase, and it is wholesome to our Nation to grant that increased purchasing power to those in the lower-income brackets. The Nation will welcome this reduction, I am confident. Another provision contained in this bill, with which I am in complete accord, is the provision granting to all those who have attained the age of 65 years an additional exemption of \$500. It is common knowledge among the Members of the House that the aged people of our country, those who have attained the age of 65 years, are struggling to secure jobs, and many of them are unable to secure a job of permanent character. The more pittance of their earnings, or the small amount which they may receive by way of income of any character, is quite soon absorbed in the payment of taxes. Under the pending measure these people, who are over 65 years of age, will receive an additional exemption of \$500, which will be very helpful, I am certain. I fully approve of the action taken by the Ways and Means Committee with respect to the aged people of our country. I am confi-