

its capital, a little corporation, it pays \$12.50 more in taxes than it does under the present law.

Now, gentlemen, I want to say this, that there can be no question about the accuracy of these figures. There is not an expert in the Treasury Department who will dispute the accuracy of them. You take a corporation with \$50,000 capital stock, and under the present law when it makes 5 per cent, it would pay \$50. Under the proposed law, it would pay \$62.50, or \$12.50 more. When it makes 6 per cent it would pay \$25 more; when it makes 8 per cent it would pay \$50 more; when it pays 10 per cent it would pay \$75 more; when it makes 15 per cent it would pay the Treasury \$47.50 more than the present law. Now, when the corporation begins to profiteer a little bit more and makes 20 per cent, it pays \$340 less. When it makes 25 per cent it will pay \$1,177.50 less than under the present law.

When it makes 33.3 per cent it will pay \$2,093.34 less than under the present law. When the same corporation profiteers to the extent of making 50 per cent on its invested capital under the provisions of this bill it will pay \$4,285 less taxes than under the present law. In other words, the more these corporations profiteer on the people the less taxes they will have to pay.

The Democratic party believes that the more these corporations make the more they are able to pay and should pay more toward paying the war debt and the running expenses of the government. You would reverse this and say to the corporations, if you will plunder the people, we will relieve you of taxation. Now, I hope some gentlemen on the Republican side will tell the House and the country just why you take this unholy position.

What have the people done to you that you want to see them robbed and plundered by these large corporations? It seems to me that the people were very generous with you in the last election. And this is the way you repay them. Now, gentlemen, I want to answer some other arguments brought forward by Republicans to discredit the excess-profits tax. You say the law is the cause of the high cost of living; that it has increased prices.

Gentlemen, that is propaganda bought and paid for and circulated by special interests. Not one word of truth in it.

If they make more they ought to pay more and not less, gentlemen. There can be nothing plainer than that.

#### EXCESS-PROFITS TAX NOT RESPONSIBLE FOR HIGH PRICES

Now, gentlemen, the proponents of this bill say that the excess-profits tax on corporations retards business, therefore the tax ought to be repealed.

Then, on the other hand, they argue that not only the tax is added and passed on to the consumer, but in many cases more than the tax is passed on the consumer, thereby contributing to the high cost of living. These two statements are not consistent and show how ridiculous some witnesses become when they are making any sort of argument that they think may be necessary to shift the burden of taxation to the shoulders of the other fellow.

There is absolutely no truth in the proposition that the excess-profits taxes have been responsible for the high cost of commodities. These corporations have made more money in the last five years than they ever made in the history of the government, and the facts are that they profited to the extent of many billions of dollars, and now that we are in the midst of a depression and prices are falling, they want to shift the burden of taxation to those people who are less able to bear it.

The facts are that prices of commodities began to rise in July, 1915, nearly two years before we entered the war, and continued to rise until in March, 1917, just before we entered the war; that a commodity worth \$1 in 1914 or 1915 was worth \$1.61 in March, 1917.

The price level of commodities continued to rise after we entered the war until July, 1917, when they stood at 86 per cent higher than prewar prices.

Now, we did not pass any excess-profits tax law until October, 1917, and at that time prices stood at 181 per cent of the 1914 level.

Under the first excess profits tax law—that of October, 1917—the corporations of the United States paid 15.27 per cent of their reported net incomes into the Treasury as excess-profits taxes, and they had an amount of net income left equal to 210 per cent of the highest amount which they had ever made before. Now, prices in 1918, under the increased excess profits tax law, averaged 96 per cent high-

er than in 1913, as against 76 per cent in 1917 and 61 per cent in March previous to our entering the war. Remember, gentlemen, we reduced the war taxes in 1919 and yet in spite of that reduction prices increased to 238 per cent of the prewar level, and by April of 1920, after the excess-profits taxes had been reduced, prices continued to climb until they got to 266 per cent of the prewar level. Now, gentlemen, if prices increased before we placed an excess profits tax law on the statute books, and if they continued to increase after we had reduced the war taxes in 1919, how can any gentlemen on this floor or elsewhere, with a straight face, make the argument that the excess-profits taxes were responsible for the high cost of living? In other words the price level of commodities in this country increased 61 per cent before any excess-profits tax was even discussed in this country, and a further rise of 25 per cent additional before the law was placed on the statute books; hence it seems to me that these facts alone dispose of the argument that these taxes have been passed on to the consumer and have been responsible for the high cost of living in this country.

Ah, gentlemen, if these corporations could pass these taxes on to the consumer at this time, they would not be here asking for a repeal of this law. I have heard a great many gentlemen testify before the Ways and Means Committee on the tariff bill and on this bill, and I have heard very few of them express any sympathy for the consumers of America. They put in all of their time arguing that the burden should be lifted from them and placed upon the other fellow, and they usually convince the Republican members of the Ways and Means Committee that that ought to be done.

"By the sweat of thy face thou shalt eat bread," but these gentlemen who want high tariff taxes and who want to repeal the excess-profits taxes and high surtaxes want to eat bread in the sweat of the poor man's face, and they are going to do it under this administration.

The profits of all the corporations of this country had never exceeded \$4,000,000,000 before 1913. For the year 1917 these profits reached the astounding figure of ten and one-half billion dollars. For the four years 1916-1919, inclusive, profits averaged \$9,000,000,000 before taxes were paid and \$7,000,000,000 dollars after all Federal taxes had been paid. In other words, these corporations made over \$30,000,000,000 during the four years 1916-1919, and they also made around \$7,000,000,000 in 1920. Yet they come before the congress of the United States and ask the congress to relieve them of taxation, and, of course, they advocate the sales or consumption taxes. Everybody knows that a sales tax would be passed on to the consumer, and these gentlemen—practically all of them are in favor of a turnover sales tax, and they are for it because they can pass it on to the consumers of America.

#### ARGUMENTS FOR REPEAL OF EXCESS PROFITS TAX INCONSISTENT

Now, gentlemen, if they can pass the excess-profits tax on to the consumers of America, why is it they are so anxious to have it repealed and substitute a sales tax, which everybody admits would be passed on to the consumers of the country? These gentlemen are almost as inconsistent as the advocates who come before our committee for high protective tariffs. I recall quite vividly that nearly every person who appeared before the Ways and Means Committee on the tariff bill, including Mr. Hoover, the Secretary of Commerce, stated that we were being swamped with imports from abroad, and now the figures have been disclosed by Secretary Hoover's testimony showing that they had fallen off more than half before he testified before our committee. Yes; Mr. Hoover said in his statement that there was no help for the country except through a great measure of protection.

You gentlemen here will recall Mr. Gifford Pinchot went all over this country for years saying that the high duty on lumber would cause the destruction of our great forests by stimulating the production of lumber; therefore, Mr. Pinchot was very much in favor of free lumber. When the Payne-Aldrich tariff bill was written stand-pat Republicans in some way convinced Mr. Pinchot that he was wrong, and he came out in favor of protection on lumber when the Payne-Aldrich bill was being considered, and, gentlemen, you have not heard very much from Mr. Pinchot since that time. He had spent years educating the American people up to his idea and his idea was right and proper, but when he changed the people of America failed to change with him, and the people of America today are as much in favor of

free lumber as they ever were. Mr. Hoover knows that we can not have exports unless we have imports. He has said it upon many occasions, before and after he appeared before the Ways and Means Committee; hence I think Mr. Hoover had better profit by the experience of Mr. Pinchot and stay on the right track on this question.

Great Britain during the war did a much better job in writing her income tax laws than we did. Right at the beginning of the war a law was passed taking 80 per cent of the profits of corporations and business generally. We left them two or three times as much as they had formerly been making, in our taxation scheme.

Now, another thing, gentlemen, the year 1918 was the year of the highest excess-profits tax rates. Out of 6,700 corporations, it is shown that 3,000 of that number paid no excess-profits taxes whatsoever. These 3,000 corporations amounted to just about one-third of the invested capital in all of the 6,700 corporations. Is it not reasonable to presume that these corporations who did not make enough to pay an excess-profits tax did not have some influence over prices of commodities in this country?

Take two merchants in the same town, for example. One of them does not make enough to pay an excess-profits tax, yet he competes with the man across the street who does make enough to pay an excess-profits tax. If the merchant who makes enough to pay an excess-profits tax tries to pass this tax on to the consumer, what would happen and what has happened all over the country? The little merchant will get the business and use his influence to hold down the prices. No; the trouble is that these excess-profits taxes are surplus of these corporations; and all the economic writers agree upon the proposition that the net surplus of a corporation, when you tax only the net surplus of a corporation, can not be passed on to the consumers.

As a matter of fact, these people profited to the extent of billions. They charged all that the public could bear. Now the reaction has come, and because they can not make exorbitant profits like they did during the war they come before the congress of the United States and ask it to relieve them of taxation, and then, if it does, they will continue to go along and continue to profiteer, if it is possible to do so when normal conditions return.

Ah, gentlemen, you can not afford to do it. The people of America understand this proposition. Do not be misled by the great wave of propaganda that has been sweeping over this country for the past year and half. I wonder, and I know that you must wonder, how many millions of dollars have been expended in propaganda to make the people believe that excess-profits taxes are passed on to the consumer; that they are responsible for the high cost of living, and, therefore, get all of the people behind the proposition and have these corporations relieved of their just burden of taxation. That is all this whole question means—nothing more, nothing less. This is not legislation by facts; this is not legislation by economic truths, but it is legislation by propaganda paid for by special interests.

While our soldiers were in France—2,000,000 of them and 2,000,000 in the camps of this country; 4,000,000 soldiers under arms—2,000,000 at the front bleeding and dying for the people of America, for our institutions that they might survive and continue, these corporations were profiting and they profited to the extent of fifteen or twenty billion dollars, and now that the war is over the boys have come home, many of them wounded and maimed and out of employment, you want to place the burden of paying the Great War debt upon the masses of the people of the country, including these boys; the fathers and mothers of these boys.

It is not fair. No party will ever be able to sustain any such program.

#### PROPOSITION OF SURTAXES ON LARGE INDIVIDUAL INCOMES

Let us take up the other proposition, the surtaxes, on the large individual incomes. Now, gentlemen, the same is true of the surtaxes. You can not defend that proposition. There is not a man in this House or in America that can defend it. And yet it is in this bill, and you gentlemen know it. But you can not defend it and you know you can not defend it. You have permitted the Republican members of the Ways and Means Committee to bring in this bill with that provision, when they knew that provision was in it, because we had Mr. Beck's statement several days ago, and they have passed it around to Secretary Mellon and Dr. Adams and other experts of the Treasury Department, and the Ways and Means Committee knew what effect this bill was going to have. And you permitted