

The Knutson Tax Bill

As address by Mayor Hubert H Humphrey of Minneapolis at
on Oct. , 1948.

Today I am going to talk about a trick that was played on the American people. That trick was the Knutson tax bill.

While Congress was talking about stopping runaway inflation, Knutson was working for bigger and better inflation.

The 80th Congress said we needed relief from high taxes. The question is, WHO needed this relief? High prices forced one - fourth of our people to spend more than they earned.

They did need tax relief.

For two years, the earnings of farmers and wage - earners have bought less and less.

Maybe they needed tax relief.

But corporation profits kept going up and up----much faster than prices went up. Corporations and corporation stock-holders didn't need tax relief.

BUT THEY GOT IT.

From the 80th Congress, from the Knutson tax bill.

The people who were being driven into debt by high prices got some relief, too. It gave them about 10 cents a day more income.

A man making \$52 a week got about 19 cents a day more income out of the Knutson bill. But Knutson gave the \$25,000 a year man two dollars a day more net income.

He gave the \$50,000 a year man \$5 a day.

He gave the people with income of a million dollars a year \$200 a day.

Forty per cent of all the tax relief voted by the 80th Congress went to people with more than \$5,000 a year----and they are only 5 per cent of the taxpayers.

And just to make sure the rich could meet the high cost of living, Knutson saved them from paying 250 million dollars a year in gift taxes.

That was a big help for about 12,000 wealthy families. They seem to give one another a great deal of money. Knutson, perhaps, wanted to get in their class. That may be all right, we all like to see a man try to get along in the world. What I am pointing out is that Knutson was giving his rich friends tax money that belonged to the American people.

NO tax laws----and no other laws are meant to make everyone have the same income.

But some people do need help----and the people who need it aren't the people who got it.

Our tax scales before the war were not fair.

In 1939, people who earned under \$5,000 a year paid one-tenth of the taxes.

In 1948----after the Knutson bill----they pay more than half of the taxes.

Knutson was as generous to rich corporations as he was to rich people. During the war, corporations piled up the biggest savings in history. Corporations had enough money after the war to pay off the whole pre-war national debt, and have billions left over. They were saving that huge fund until taxes were cut, for their benefit.

In the three months after the Knutson bill was passed, the President's Council of Economic Advisers estimates that an extra one billion 400

million dollars was paid out in higher dividends. War profits and post-war profits are being passed out now, when the tax scale has been changed. That's what the Knutson tax bill did. The wealthy got more money from the 80th Congress. The poor got more inflation.

We have every reason to fear that another Congress like the last one will do worse things of the same sort. The Knutson tax bill was just the first step.

We must block those plans.

Instead of unfair laws like the Knutson tax bill----drawn for the benefit of special privilege----we must draft and adopt a sound tax program, fair to rich and poor alike----under which taxes would be paid by those able to pay them.

That kind of a program would be a strong blow against high prices; it would put an end to the hoarding of excess profits piled up by corporations, it would help bring prices down.

And it would raise the money that we need both to pay the cost of government and to cut down our public debt.

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AN ADDRESS BY MAYOR HUBERT H. HUMPHREY OF MINNEAPOLIS AT _____ ON OCT _____

This Nation was built up by free enterprise.

We have feared the rise of great trusts---of monopolies---and we had good reason to fear them. For the monopolies have done our country great harm.

Those facts we all know---and they are good cause for alarm over the dangerous trend of the times. Free enterprise today is being strangled to death. The monopolies are taking over the business of the United States.

And we have an express warning from a very high source. Before I say more, I want to read it to you.

I quote:

"Commodity prices are higher on the average in 1948 than at the peak in 1920. The cost of living is oppressive.

"People are eager for relief.

"Business men are uneasy about the boom---and fearful that the longer it runs, the greater will be the reaction."

That word "reaction" of course, means "depression." And we all know what that means.

Now that warning is not political talk.

It does not come to us from the Democratic Party. Or from the AFL, or the CIO, or any other labor union.

That's the National City Bank of New York talking.

It is the National City Bank that is worried about the cost of living, about the bust that comes after an unsound boom---or a phony boom, which is what we have today.

This inflation of ours is not a boom---this inflation is the field day of monopoly.

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While members of the 80th Congress---including the senior Senator from Minnesota-- were beating their breasts and shouting out how much they loved free enterprise, big business was taking over the country.

While the members of the 80th Congress -- including the senior Senator from Minnesota -- were organizing witch hunts -- looking for the enemies of free enterprise, they claimed, --- the enemies of free enterprise were getting fat off the people.

They were gorging themselves with profits. They were putting little shops, and little stores, and little plants --- and little farmers -- out of business.

These enemies of the American system were chopping off the supports of free enterprise right under the noses of the members of Congress, including the senior Senator from Minnesota.

As a matter of fact, the Republican majority -- including the senior Senator from Minnesota --- were helping them do it.

They were paving the way for a new depression, in which big monopolies would get bigger than ever, just as in the last depression.

That depression must be headed off. And one of the things that will head it off is the rescue of free enterprise in this country. And that means trimming down these great monopolies -- chopping off their horns --- taking away the vast power they hold over all our business, and over all our lives.

Let us look at the United States Steel Corporation. The iron and steel industry ran up its profits 50 per cent between 1946 and 1947. The industry tripled its profits since 1939. After taxes, after all other charges, the industry was earning a clean, free, net 12 per cent profit.

Yet United States Steel this year raised the price of steel another \$5 a ton.

Humphrey on Monopolies
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Now in a free economy, that price rise would have been straight suicide for United States Steel. Other companies would see that they could go on at the old rate, undercut the big firm, win new business for themselves, and still make a fat 12 per cent net profit.

Nothing of the sort happened. There was not a company that fought for the business.

Because Big Steel was too big to tangle with. Big Steel controls one-third of the output of this country. There is no firm that can compete with Big Steel. There is none that will risk trying. They all take their orders.

That is the power of monopoly in the United States today.

That same power controls a vast part of the industrial life of this country. For steel is the life of our industry.

We find the same ugly picture wherever we look.

Big corporations control our food supply --- the clothing we wear, the building materials that we need to put up homes for our people.

The tools that we need in business and on the farm.

Almost all our binders are made by three companies.

One company makes nearly all the fruit jars, and tin cans.

Two companies make three-quarters of the locomotives that haul our crops, and our goods.

Three companies make most of our automobiles and trucks and tractors.

That handful of corporations, under the iron control of a handful of men, fixes the price of all these things that we need --- things that our economy must have.

Other companies in the same industry have nothing to say about prices, or anything else. They have to take their orders from the monopolies.

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Humphrey on Monopolies

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So far, they have not been able to control wages they pay their millions of workers. Thanks to the unions, the men still have some say about their own wages.

When we remember that it is the millions of workers --- and not the handful of monopoly bosses --- that buy the product of our farms, we in Minnesota have good reason to be thankful for that. Some of the buying power of our customers has stood up --- so far.

But if one more Congress goes the way of the last one, the unions are likely to be smashed, too. And that much more security will be gone.

This piling up of the wealth of our country in the hands of a few men, is a great danger to you and to me. Look back on the last depression---the Hoover depression---the depression of the last Republican Administration.

Wages dropped. Farm prices went down ----- and down ----- to a few cents a bushel for wheat and corn.

What happened to the price of monopoly products?

Instead of lowering prices, as the farmer had to do, big business kept its prices up. They just stopped making goods.

So instead of selling for less money, and selling more goods because of lower prices, big business laid off workers by the millions.

They made fewer goods for the consumer and put fewer dollars into his pockets.

Wheat dropped 56 per cent between 1929 and 1932. Corn dropped 66 per cent, but the price of aluminum dropped only 4 per cent.

Farm machinery dropped only 15 per cent. The same thing happened in all big business.

That was what we paid for allowing monopoly to strangle free enterprise.

That is what we paid in the depression. But monopoly is costing us almost as dearly today as it did then.

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Inflation, too, gives big business an edge over small business, the worker and the farmer. Since price controls were killed two years ago, profits have shot to new records.

Prices have run away. Real wages have gone down. Real farm income has gone down. The worker and the farmer can buy less today, with what they earn, than they could buy two years ago.

On July 6, 1948, the Federal Reserve Board said: "The nation's farmers as a group were still at the bottom of the income scale. While some farmers are well into the top brackets, farmers as a whole have benefitted little from the high prices consumers have had to pay at the markets."

The time has come to face the facts and do something about them. Monopoly helped bring on the depression of 1932. The inflation of the 1920's had paved the way for that depression. Then----as now----huge profits, and rising prices cut down the real wages of workers, and the real income of farmers.

And it was monopoly that kept the depression going by firing workers instead of lowering prices.

Now --- in the textile industry today profits are at a record height but when buyers balked at the high prices, the corporations cut their output and threw men out of work, rather than lower prices to a fair level.

SOMETHING MUST BE DONE!

There are three ways for our government to break this pattern of monopoly.

One is the method we have been trying for 58 years --- breaking big business into smaller businesses.

There are some members of the senate who think that when we passed an anti-trust law 58 years ago, that did the job. They ignore --- on purpose or through ignorance --- the dangerous facts we have seen. Yet those facts were given to Congress only two years ago in a report of the House Small Business Sub-committee.

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Many reports have been made since the shocking truth was explored in 1938 by President Roosevelt's Temporary National Economic Commission.

There are those who are blind to these facts. There are some in this very State.

Men who ARE NOT blind, say we must bring anti-trust laws up to date. We must streamline them.

We must give the agencies that enforce the laws the money to do their job.

At present, our government cannot stop a giant corporation from buying up the factories and material of smaller companies --- from gobbling them up.

And, at present, out-and-out violations of the anti-trust laws often are not prosecuted. The House Small Business Committee reported in 1947 that the "appropriations of the Federal Trade Commission are insufficient to allow it ... to reverse the trend of concentration."

Not only is the Federal Trade Commission too short-handed to investigate, but when it does uncover a crime, it finds itself opposed in court by a legal staff that costs the corporation twice as much for one case as the F T C budget for a year.

And, should the F T C win the case, it doesn't have enough money to make sure the corporation carries out the orders of the court.

So our course is clear --- if we believe in free enterprise, we must first strengthen the old anti-trust laws --- one written in 1914, the other in 1890. We must modernize these laws, to keep big business from violating the spirit of the law while staying within the letter.

And we must vote enough money to make sure that these laws are enforced.

The last Congress DID NOT strengthen the anti-trust laws, it weakened them.

Sixty years ago, the farmers of this State and other Midwest states demanded that the Federal Government stop the railroads from rigging their rates against farmers.

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The Sherman anti-trust act was passed to protect the farmers of Minnesota.

This year the senators from Minnesota helped pass a law that allows those same railroads to get together and by-pass the Sherman Act.

We are going backwards.

We are killing competition rather than restoring it.

That path leads to collectivism, to more and more control by greedy little groups of men.

The second way to meet the challenge of big business is to strengthen small business.

But, again, the 80th Congress weakened the Small Business Bureau in the Commerce Department.

Small business is free enterprise.

It must be helped to keep up with the demands of our modern world.

The third way to strike back at monopoly is to continue the New Deal policy on cooperatives.

It is no accident that Sweden, the land famous for cooperatives, is not troubled by monopoly, as we are.

The Treasury recently included in its report a statement on the power of cooperatives to protect the people against the unfair excesses of monopolies.

That is our program.

We must act now, to head off a new depression, to restore liberty in our economy.



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