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### Congressional Record S. 8573 - Surtax and Tax Reform

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in this situation. This side of the aisle must carry its full share of blame for the surtax just as it must for Vietnam.

The administration and some Members of the Senate have been urging quick passage of the surtax with tax reform remaining on the back burner. So far as we can see, with this approach, what may come after in the way of reform would be based strictly on a hope and a prayer. In my judgment, that is not sufficient to satisfy the demands of the people of the Nation for greater equity in the sharing of the tax burden. It was not sufficient a month ago. It is not sufficient today. Tax reform is no less urgent than continuance of the level of tax burdens which now falls heaviest on the wage earners and salaried employees of the Nation.

Nevertheless, the policy committee assembled yesterday with the Democratic members of the Finance Committee in an effort to reach an accommodation with the administration. I can tell the Senate on the basis of that meeting—and the Senate should believe me—that enthusiasm for a year's extension of the surtax in any circumstances is rapidly diminishing. Indeed, if it is to pass at all, it may well have to be accompanied by assurances of very substantial tax reform.

I hope nobody considers that a threat. In my opinion, it is a fact based on conversations which I have had with my colleagues representing all spectrums of the Democratic Party and all sections of the country.

It was with this awareness that the Democrats of the policy committee and the Finance Committee acted, in my judgment, in a most responsible fashion when they proposed unanimously yesterday to follow a new course of action, provided the suggestion was acceptable on all sides. Their joint proposal would extend the surtax for 5 months—thus giving the administration what it has described as an anti-inflationary device. The final 7 months of the requested extension, moreover, can still be enacted together with a tax reform package prior to November 30, 1969. Even Senators who are on record as opposed to the year's surtax extension agreed that a 5-month extension in this context would be appropriate.

It is our considered judgment that this offer of yesterday is responsive to the wishes of the administration and to the realities of the issue of the surtax as it confronts the Senate at this time.

Mr. President, on yesterday I had intended to go down personally to see the distinguished minority leader and give to him by hand the results of the meeting held jointly by the Democratic members of the Finance Committee and the policy committee; but unfortunately, the press of the press was so great outside the door that I would have been taking my life in my hands had I tried to undertake what would have been a most pleasant journey on the basis of personal friendship. So I called the distinguished minority leader on the phone, he put his secretary on, and he copied the statement down. So I did the best I could to get it to the minority leader. I wanted him to know of that. I am sure he did. I wanted the Sen-

#### THE SURTAX AND TAX REFORM

Mr. MANSFIELD. Mr. President, it is my intention to speak on the surtax and tax reform.

The sole purpose of the majority policy committee at this point is to try to assure a disposition of both tax reform and the extension of the surtax for 1 year. The question is procedural—scheduling—and its consideration is well within the purview of the responsibilities of that committee. There is no desire nor intent nor inclination to disturb in any way the substantive functions of the Finance Committee, or, for that matter, any other legislative committee.

The policy committee is well aware of the administration's view that the extension of the surtax is necessary to fight inflation. It is also aware of a gathering public view that the surtax has been an inequitable and ineffective way to fight inflation and a public demand for changes in the present tax structure in the direction of greater equity.

To date, the surtax may well have served to intensify the resentment against the inequities in the tax system.

Although the surtax has been in effect since last year, the Nation has seen no relief from rising inflationary pressures. Indeed, during the past 7 months inflation has been the greatest in many decades. Interest rates are at their highest point in modern times. Yet it was precisely as a weapon against inflation that the surtax was offered to the people of the Nation. It was offered, I should add—and I am frank to admit it—by a Democratic administration. It was adopted by a Democratic-controlled Congress. I say that to lay at rest the partisan implications which, regrettably, have been raised

ate to know of the procedure which was followed, because I believe in courtesy and comity between the two parties and the two Houses.

So, Mr. President, I ask unanimous consent that the statement of the Democratic policy committee and the Democratic members of the Finance Committee be printed in the Record at this point, with footnotes to the effect that the investment credit repeal is, in effect, permanent law; that the extension of the excise taxes remain in effect until December 31, 1969; and that the change of the standard deduction, the so-called help-to-the-poor amendment, would not, under any circumstances, go into effect until January 1, 1970.

There being no objection, the statement was ordered to be printed in the Record, as follows:

The Democratic Policy Committee and the Democratic members of the Finance Committee have agreed upon the following understanding:

1. Support an extension of the surtax until November 30, 1969. This will be accomplished by attaching this temporary extension to a separate House-passed bill. The House-passed surtax extension containing the investment credit repeal,<sup>1</sup> the extension of the excise taxes,<sup>2</sup> and the change of the standard deduction<sup>3</sup> will remain on the Senate Calendar until the tax reform bill is reported by the Senate Finance Committee.

2. The Chairman of the Finance Committee and the Democratic members of that Committee have given their assurance that the tax reform package will be reported to the full Senate not later than October 31, 1969.

3. The Democratic Policy Committee has endorsed the position of the Finance Committee that the date of the investment tax credit repeal will be identical to that date in the House-passed bill (April 18, 1969). The endorsement was at the specific request of the Democratic Finance Committee members to assure all that the investment credit repeal is endorsed and the date is specified as contained in the bill on the Senate Calendar.

Pursuit of this understanding in the Senate is contingent upon its acceptance by the Administration and the Republican leadership which has been pressing in the Finance Committee and on the Senate floor for the extension of the surtax. May I say that many of the members present today went along with this understanding notwithstanding grave reservations about the usefulness of the continuance of the surtax as an anti-inflationary measure. The approach is offered as an accommodation to the Administration. If it is not acceptable, the Majority Policy Committee is compelled to stand on its previous resolution.

Mr. DIRKSEN. Mr. President, I was fully aware of the dilemma in which the majority leader found himself last night, and I thought it was indeed generous on his part to phone me and make it possible for the secretary to take down the statement he subsequently made to the press, which disclosed the import and the general attitude of the majority policy committee.

I took it upon myself to convene the minority members of the Committee on Finance at my office at 5 o'clock. I also asked the Secretary of the Treasury to

join us in that informal seminar. I had hoped that the Chairman of the Board of the Federal Reserve System might be available, but he was away from the city at the time.

We discussed the statement at considerable length, and subsequently I rang the Press Gallery, and they were kind enough to come down so that I could make a statement. The Secretary of the Treasury joined in that statement, and it was corroborative of what I have to say.

My remarks, in essence, were about like this:

I said, first, that the proposal that was made to extend until November 30 the surtax simply was not enough, because it still leaves it up in the air; and who shall say what will eventuate before or after that time? A similar proposal was more or less rebuffed in the Senate Finance Committee, and I appeal to the distinguished Senator from Delaware (Mr. WILLIAMS) to corroborate what I say, because he was there.

A somewhat comparable proposal, not quite so long, measured in terms of time, was rejected by the House of Representatives. That only adds uncertainty and confusion to this whole picture.

Now, when I say that to run this until the 30th of November is not enough, I say it for a reason. I think of all those business activities in the country which have to go into the markets and buy, from time to time, for a long period. They have to contract for supplies, for goods of all kinds, and of course they will have to do so at the market price that obtains now. But what will the situation be down the road, when this uncertainty persists? They ought to know what they can depend on.

I tried to illustrate the point to the press out of my own experience. In those days when I was in the wholesale bakery business, you did not buy one car of flour, and you did not buy two or three. You estimated what your needs were going to be, and then, when a flour salesman came, you would say, "Give me a quotation on 50 or 60 carloads of flour, delivered this way, over a period of time."

Well, he would say, "I cannot do it, because we cannot look down the road that far, and we cannot tell what the price of wheat is going to be; and it is the price of wheat that is going to determine what we are going to have to get for flour. Now, if it were not for Federal intrusions," including what was then the Federal Farm Board, "I could tell you, but I cannot tell you now."

These are the uncertainties that hang over the whole business community of the country, and that is why they are so concerned; and we are concerned with them.

I might elaborate even further on this matter, but I think this is sufficient for all purposes. Our hope was to resolve the state of confusion, so that those who handle enterprise in this country may know the conditions under which they are expected to do business.

I said one other thing. I said from the standpoint of inflation, it simply did not go far enough. I would say to my good friend, the distinguished majority

leader, that a surtax, standing by itself as a single weapon, is not the whole answer to inflation.

Think of the credit binge that the country is on at the present time, and the great surge of demand for credit that finally compelled the banks to raise their prime rates. I cannot imagine that there is any bank of consequence, from the biggest bank in New York or San Francisco or Chicago on down, that would want to raise interest rates unless they were compelled to do so. And what is the compulsion under which they operate? They want to maintain liquidity in the country. But here is this demand for credit. How do you shut it off? How do you ration it? They have no legal weapon by which to ration it. They can only say, "This much credit we can extend. Here is five times that amount in credit demands. All we can do is put up the rates to discourage them."

It is as simple as that. And, of course, it develops all sorts of complicated consequences. Those who cannot get the credit here will go in the market, if they can, and shop for Eurodollars. The rate? 10 percent, 11 percent, 12 percent. They are determined to get it if they can. So there has to be a weapon in the credit field as well as a surtax in this field to siphon off disposable income that would otherwise move into the bloodstream of consumer goods. It is that simple.

Now we have got that gold imbalance to contend with, and we have a trade deficit to contend with. In every one of these fields, something has to be done, and this was a start. Now it is proposed that it be chopped off, and then we will wait and see what happens after the 30th of November.

I had no choice, therefore, Mr. President, except to say that I did not think it was acceptable. In the memorandum which the distinguished majority leader so kindly made available by telephone while he was a captive in his own office for the moment, because of the surge of people from the press on the outside, I noticed, of course, two things.

He stated, "This should be acceptable to the administration" and "the minority leadership should indicate whether it is acceptable."

I find myself in a difficult position. I am sure that the majority leader will not close that door, if we think, and if we can persuade him and his associates who have made this move, that we are right, and that there ought to be an additional or another approach. So I am content neither to say that I accept it or that I reject it. I rather like to feel that it is a matter that it open for negotiation; and I find it so pleasant, even when we do not always agree, to sit down with the majority leader and place all the cards face up on the table, because we have never played otherwise, and I think out of that and out of the rule of reason, we may yet find the answer to this problem.

Mr. MANSFIELD. Mr. President, I am delighted that the distinguished minority leader has indicated that his door is open, as always, because the only information I had relative to our most pleasant ex-

<sup>1</sup> Permanent law.

<sup>2</sup> Remain in effect until Dec. 31, 1969.

<sup>3</sup> Scheduled to begin Jan. 1, 1970.

change of yesterday was what I read in the newspapers and heard over the radio. While I have great faith in the printed as well as the spoken word, I do not have unbounded faith in what they say, because they do delve into the area of speculation all too often, and their speculations are not always correct.

Mr. AIKEN. Mr. President, I think there is one angle to the surtax and increased interest rate situation which we should consider thoroughly.

I was talking with the president of a fair-sized corporation the other day. It was not about a \$50 million-a-year corporation. It was not one of the big ones.

I said, "You don't get 6-percent money anymore."

He said, "No. But that does not bother us in the least. We charge it off as a production expense."

In other words, the price of the product goes up.

I said, "What about the young family that is trying to buy a home? Can they buy a home, and is this high interest rate any advantage to them?"

We all know the answer to that. I think the same thing is true with a surtax. The surtax on the profits of a big corporation is charged off as a production item and is added to the price of the goods they sell. The accelerating inflation of today is largely chargeable to high interest rates and the surtax.

Millions of young families are trying to buy homes and educate their children. This means higher prices to them.

I point out that prosperity does not originate with the big corporations and the big banks, because without the millions and millions of families in the lower income brackets from \$5,000 to \$15,000 that buy their goods and borrow money, the big fellows would just wither on the vine.

In my opinion we should consider tax reform and the extension of the surtax without delay.

It is high time that tax evaders and profiteers were brought to account.

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