

October 21, 1936

[Worcester, Mass.]

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FDR Speech File

SPEECH OF THE PRESIDENT  
WORCESTER, MASSACHUSETTS,  
OCTOBER 21, 1936.

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[ I am glad to be in New England -- New England from which have come most of my forebears. In recent weeks I have travelled through a great part of the United States. I have spoken about farming and mining and livestock, about business big and little, about the wage earner, about the national debt, about drought and flood, about work for the needy unemployed and security -- security for our people and for their homes.

I have found a Nation more greatly prosperous, more definitely on the highway to complete recovery than at any time in the past seven years. I have seen the record of what we have done in the faces of the people I have met. ] We have banished old man Gloom.

It has taken only one day of driving through Rhode Island and Massachusetts to prove to me that New England is in step and on march with the rest of the Nation.

I have seen things today even more welcome to me than your lovely autumn foliage. I have seen the smoke from factories -- which three and a half years ago were smokeless. I have heard the sound of mills -- which [three and a half years ago] were silent. I have seen men at work who [three and a half years ago] were jobless. I have seen women and children who -- after long years of fear -- have begun to live and hope again.

Three and a half years ago we declared war on the depression. You and I know today that that war is being won.

But now comes that familiar figure -- the well-upholstered hindsight critic. He tells us that our strategy was wrong -- that the cost was too great -- that something else won the war. That is an argument as old as the remorse of those who had their chance and muffed it. It is as recent as the claims of those who say that they could have done it better.

You may remember the First Battle of the Marne. Almost everybody thought that Marshall Joffre had won it. But some refused to agree. One day, a newspaper man appealed to Marshall Joffre:

"Will you tell me who did win the Battle of the Marne?" "I can't answer that", said the Marshall. "But I can tell you that if the Battle of the Marne had been lost the blame would have been on me."

Our war, too, had to be won. No price, we were told then, was too high to pay to win it. We did count the cost. But in the barrage we laid down against the depression we could not stop firing to haggle about the price of every shell. We kept on fighting. The important thing is that the war is being won.

Without that victory we cannot have the kind of an America we know and love and want our children to live in.

New England -- as one of the senior partners in the company of the states -- has always stood for two of the fundamentals of American liberty -- the Town Meeting, with its essential insistence on local control over local affairs -- and the doctrine for which Sam Adams and his friends were willing to fight -- the doctrine of democracy in taxation. While I do not happen to be a cousin of the distinguished Adams family, I consider myself, politically, a lineal descendant of old Sam.

In 1776 the fight was for democracy in taxation. In 1936 that is still the fight. Mr. Justice Oliver Wendell Holmes once said: "Taxes are the price we pay for civilized society." One sure way to determine the social conscience of a government is to examine the way taxes are collected and how they are spent. And one sure way to determine the social conscience of an individual is to get his tax-reaction.

Taxes, after all, are the dues we pay for the privileges of membership in an organized society.

As society becomes more civilized, government --national, state and local government -- is called on to assume more obligations to its citizens. The privileges of membership in a civilized society have vastly increased in modern times. But I am afraid we have many who still do not recognize their advantages and want to avoid paying their dues.

It is only in the past two generations that most local communities have paved and lighted their streets, put in town sewers, provided town water supplies, organized fire departments, established high schools and public libraries, created parks and

playgrounds -- undertaken, in short, all kinds of necessary new activities which, perforce, had to be paid for out of local taxes.

And let me at this point note that in this most amazing of campaigns, I found sections of the Nation where Republican leaders were actually whispering the word to the owners of homes and farms that the present Federal Administration proposed to make a cash levy on local real estate to pay off the national debt. They know that the Federal Government does not tax real estate -- that it cannot tax real estate. If they do not know that, I suggest they read the Constitution of the United States to find out.

New obligations to their citizens have also been assumed by the several states and by the Federal Government to their citizens - obligations unknown a century and a half ago, but made necessary by new inventions and by a constantly growing social conscience.

The easiest way to summarize the reason for this extension of government functions, local, state and national, is to use the words of Abraham Lincoln: "The legitimate object of government is to do for the people what needs to be done but which they cannot by individual effort do at all, or do so well, for themselves."

Taxes are the price we all pay collectively to get those things done.

To divide fairly among the people the obligation to pay for these benefits has been a major part of our struggle to maintain democracy in America.

Ever since 1776 that struggle has been between two forces. On the one hand, there has been the vast majority of our citizens who believed that the benefits of democracy should be extended and who were willing to pay their fair share to extend them. On the other hand, there has been a small, but powerful group which has fought the extension of those benefits, because it did not want to pay a fair share of their cost.

That was the line-up in 1776. That is the line-up in this campaign. And I am confident that once more -- in 1936 -- democracy in taxation will win.

Here is my principle: Taxes shall be levied according to ability to pay. That is the only American principle.

Before this great war against the depression we fought the World War; and it cost us twenty-five billion dollars in three years to win it. We borrowed to fight that war. Then, as now, a Democratic Administration provided sufficient taxes to pay off the entire war debt within ten or fifteen years.

Those taxes had been levied according to ability to pay. But the succeeding Republican Administration did not believe in that principle. There was a reason. They had political debts to those who sat at their elbows. To pay those political debts, they reduced the taxes of their friends in the higher brackets and left the national debt to be paid by later generations. [Because they evaded their obligation.] Because they regarded the political debt as more important than the national debt, the depression in 1929 started with a sixteen billion dollar handicap on us and our children.

Now let's keep this little drama straight. The actors are the same. But the act is different. Today their role calls for stage tears about the next generation. But -- in the days after the World War -- they played a different part.

The moral of the play is clear. They got out from under then -- they would get out from under now -- if their friends could get back into power and they could get back to the driver's seat. But neither you nor I think that they are going to get back.

But, as in the World War, we have again created a tax structure to yield revenues adequate to pay the cost of this war against depression in this generation and not in the next.

New or increased taxes are not needed to enable us to balance the Federal Budget and to begin very soon a rapid reduction in the national debt. Recovery is with us. Federal revenues are increasing; emergency expenditures are decreasing. A balanced budget is on the way. Does that sound like bankruptcy to you?

Why this increase in government revenues? Because the taxpayer earns more money and spends more money. Though he pays more money in taxes, he has more money left for himself and for his family.

For the average American -- we have reduced the individual income tax. Any family head who earns an income of less than \$26,000 a year pays a smaller income tax in 1936 than he paid for 1932.

*less than*  
That means that ~~one half of~~ one per cent of the heads of American  
families pay more than they did; and ~~ninety-nine and~~ <sup>more than</sup> ~~one half~~ per cent  
~~more than 99 per cent~~  
pay less than they did, for ~~they~~ earn less than \$26,000 per year.

~~The only ones who pay a higher tax now than they paid for 1932 are~~  
~~those whose incomes are over \$26,000 a year.~~ If you want the answer  
to this talk about high taxes under this Administration -- there it  
is. Taxes are high <sup>for</sup> ~~for~~ those who can afford to pay high taxes. They  
are lower for those who can afford to pay less. That is getting back  
again to the American principle -- taxation according to ability to  
pay.

You would think, to hear some people talk, that those  
good people who live at the top of our economic pyramid are being  
taxed into rags and tatters. What is the fact? The fact is that  
they are much further away from the poorhouse than they were in 1932.  
You and I know that as a matter of personal observation.

A number of my friends who belong in these upper brackets  
have suggested to me more in sorrow than in anger that if I am  
reelected they will have to move to some other nation because of  
*high taxes,* <sup>hurts</sup> I will miss them very much but if they go they will

soon come back. For a year or two of paying taxes in almost any other country in the world will make them yearn once more for the good old taxes of the United States.

One more word on recent history. I inherited from the previous Administration a tax structure which not only imposed an unfair income tax burden on the low-income groups of this country -- but also imposed an unfair burden upon the average American by a long list of taxes on purchases and consumption -- hidden taxes.

In 1933 when we came into office, fifty-eight cents out of every dollar of Federal revenue came from hidden taxes. Leaving out of account the liquor tax -- for liquor was illegal in 1933 -- we have reduced these indirect taxes to thirty-eight cents out of every dollar.

How else have we improved and Americanized the tax structure?

First, we gave a credit to earned income -- that is income from personal work or service -- thus substantially reducing taxes paid by the working citizen. Wasn't that the American thing to do?

Second, we decreased the tax rates on small corporations.

Wasn't that the American thing to do?

Third, we increased the taxes paid by individuals in the  
higher brackets -- those of incomes over \$~~200,000~~<sup>\$50,000</sup> a year. Wasn't  
that the American thing to do?

Fourth, we increased still further the taxes paid by individuals  
in the highest brackets -- those with incomes over ~~some~~<sup>one</sup> million dollars  
a year. Wasn't that the American thing to do?

Fifth, we increased the tax on very large estates. Wasn't  
that the American thing to do?

Finally, this year we had to find new revenues to meet the  
immediate bonus payments and to take the place of the processing  
taxes. This new tax -- called the undistributed profits tax --  
is merely an extension of the individual income tax law and a  
plugging-up of the loopholes in it which could be used only by  
<sup>laffer holes</sup>  
men of very large incomes.

I want to say a word to you average investors and stock-  
holders who are being flooded by propaganda about this tax --  
propaganda, incidentally, paid for by your money. It is being  
disseminated by those who have used corporations in the past to

build up their own economic power, who seek, by holding back your dividends, to keep down their taxes.

It is a fact that ninety-eight and a half per cent of all American corporations will pay a smaller normal corporation tax under the new law.

It is a fact that the law permits corporations to expand and build up adequate reserves.

But for the first time it gives the stockholder a chance to determine for himself whether or not to keep his earnings in the corporation for expansion purposes. He is now the one to choose between using his dividends for something else, and reinvesting them in the stock of the corporation.

What we are concerned with primarily is principle -- and the principle of this law is sound.

If in its application, imperfections are discovered, they must be corrected for the good of American business.

I am certain that the average of our citizenship is not taken in by the amazing amount of other tax misinformation -- which has been turned loose in this political campaign.

People tell you there are fifty-eight taxes on a loaf of bread, or sixty-three taxes on a lady's coat. But stop, look and listen. You will find what the propagandists do not tell you - that only two or three of all of them are Federal taxes imposed by the National Government. All the rest are imposed by local, town, county, city, district and state governments. Two-thirds of all the taxes paid in America are state and local taxes -- not Federal taxes.

*And* this Administration has had something to do with these local taxes. It has made them easier to bear. At the request of local and state governments for whom the local burden had become too heavy, we assumed the cost of paying in greater part for work for the needy unemployed. And, by a national fiscal policy aimed at reducing interest rates we have greatly lightened the burden of carrying local government debts -- helping those of you who own homes and farms or who pay rent.

I want to say a word also to the wage earners who are finding propaganda about the security tax in their pay envelopes. I want to remind them that the security law was designed for them --

for the greater safety of their homes and families. The fund necessary to provide that security is not collected solely from workers. The employer, too, pays an equal share. And both shares - yours and the employers -- are being held for the sole benefit of the worker.

I have spoken in Chicago and elsewhere of the simple fact that the overwhelming majority of business men are like the rest of us. Most of us whether we earn wages, run farms or run businesses, are in one sense business men. All they seek and all we seek is fair play based on the greater good of the greater number -- fair play on the part of the government in levying taxes on us and fair play on the part of government in protecting us against abuses.

Once more this year we must choose between democracy in taxation and special privilege in taxation. Are you willing to turn the control of the Nation's taxes back to special privilege? I know the American answer to that question. Your pay envelope may be loaded with suggestions of fear and your dividend letter may be filled with propaganda. But the American people will neither be bluffed nor bludgeoned.

The seeds of fear cannot bear fruit in the polling booth.

Inside the polling booth every American man and woman stands as the equal of every other American man and woman. There they have no superiors. There they have no masters -- save their own minds and consciences. There they are sovereign American citizens. There on November third they will not fear to exercise that sovereignty.

*Franklin Roosevelt*  
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*(My reading copy)*

Franklin D. Roosevelt  
President of the United States

ADDRESS OF THE PRESIDENT  
AT THE AUDITORIUM  
WORCESTER, MASSACHUSETTS

October 21, 1936, 10.00 P. M.

Senator Walsh, Governor Curley, Mayor Sullivan and my friends of New England:

It has taken only one day of driving through Rhode Island and Massachusetts to prove to me that New England is in step and on November third will be in step with the rest of the Nation. (Applause)

(I am glad to be in New England -- New England from which have come most of my forebears. In recent weeks I have travelled through a great part of the United States. I have spoken about farming and mining and livestock, about business big and little, about the wage earner, about the national debt, about drought and flood, about work for the needy unemployed and security -- security for our people and for their homes.)

(I have found a Nation more greatly prosperous, more definitely on the highway to complete recovery than at any time in the past seven years. I have seen the record of what we have done in the faces of the people I have met. We have banished old man Gloom.)

(It has taken only one day of driving through Rhode Island and Massachusetts to prove to me that New England is in step and on march with the rest of the Nation.)

I have seen things today even more welcome to me than your lovely autumn foliage. I have seen the smoke from factories -- which three and a half years ago were smokeless. I have heard the sound of mills -- which three and a half years ago were silent. I have seen men at work who (three

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and a half years ago) were jobless. I have seen women and children who -- after long years of fear -- have begun to live and hope again. (Applause)

Three and a half years ago we declared war on the depression. You and I know today that that war is being won. (Applause)

But now comes that familiar figure -- the well-upholstered hindsight critic. (Laughter) He tells us that our strategy was wrong -- that the cost was too great -- that something else won the war. That is an argument as old as the remorse of those who had their chance and muffed it. (Applause) It is as recent as the claims of those who say that they could have done it better.

You (may) remember the First Battle of the Marne in the autumn of 1914. Almost everybody thought that it was Marshall Joffre who had won it. But some refused to agree and one day, a newspaper man appealed to Marshall Joffre and said, "Will you tell me who did win the Battle of the Marne?" "I can't answer that," said (the Marshall) Joffre, "but I can tell you that if the Battle of the Marne had been lost the blame would have been on me." (Applause)

Our war, too, -- this war that we are finishing -- had to be won. No price, we were told then, was too high to pay to win it. We did count the cost. But in the barrage that we laid down against the depression we could not stop firing to haggle about the price of every shell. We kept on

firing and fighting. The important thing is that the war is being won. (Applause)

Without that victory we cannot have the kind of (an) America we know and love and want our children to live in.

New England -- as one of the senior partners in the company of the states -- has always stood for two of the fundamentals of American liberty -- the Town Meeting, with its essential insistence on local control over local affairs -- and the doctrine for which Sam Adams and his friends were willing to fight -- the doctrine of democracy in taxation. While I do not happen to be a cousin of the distinguished Adams family, I consider myself, politically, a lineal descendant of old Sam. (Applause)

In 1776 the fight was for democracy in taxation. In 1936 that is still the fight. Mr. Justice Oliver Wendell Holmes once said: "Taxes are the price we pay for civilized society." One sure way to determine the social conscience of a government is to examine the way taxes are collected and how they are spent. And one sure way to determine the social conscience of an individual is to get his tax-reaction.

Taxes, after all, are the dues that we pay for the privileges of membership in an organized society.

As society becomes more civilized, government -- national, state and local (government) -- is called on to assume more obligations to its citizens. The privileges of

membership in a civilized society have vastly increased in modern times. But I am afraid we have many who still do not recognize their advantages and want to avoid paying their dues. (Applause)

It is only in the past two generations that most local communities have paved and lighted their streets, put in town sewers, provided town water supplies, organized fire departments, established high schools and public libraries, created parks and playgrounds -- undertaken, in short, all kinds of necessary new activities which, perforce, had to be paid for out of local taxes.

And let me at this point note that in this most amazing of campaigns, I found sections of the Nation where Republican leaders were actually whispering the word to the owners of homes and farms that the present Federal Administration proposed to make a cash levy on local real estate to pay off the national debt. They know and the people as a whole know that the Federal Government does not tax real estate -- they know or ought to know that it cannot tax real estate. If they do not know that, I suggest they read the Constitution of the United States to find out. (Applause)

New obligations to their citizens have also been assumed by the several states and by the Federal Government (to their citizens) -- obligations that were unknown a century and a half ago, (but) that were made necessary by new inventions and by a constantly growing social conscience.

The easiest way to summarize the reason for this extension of government functions, local, state and national, is to use the words of Abraham Lincoln: "The legitimate object of government is to do for the people what needs to be done but which they cannot by individual effort do at all, or do so well, for themselves."

So, my friends, taxes are the price that we all pay collectively to get those things done.

To divide fairly among the people the obligation to pay for these benefits has been a major part of our struggle to maintain democracy in America.

Ever since 1776 that struggle has been between two forces. On the one hand, there has been (the) a vast majority of (our) citizens who believe(d) that the benefits of democracy should be extended and who were willing to pay their fair share to extend them. On the other hand, there has been a small, but powerful group which has fought the extension of those benefits, because it did not want to pay a fair share of their cost.

That was the line-up in 1776. (That) And it is the line-up (in this campaign) today. And I am confident that once more -- in 1936 -- democracy in taxation will win. (Applause)

Here is my principle and I think it is yours too: Taxes shall be levied according to ability to pay. That is the only American principle.

Before this great war against the depression we fought the World War; and it cost us twenty-five billion dollars in three years to win it. We borrowed to fight that war. Then, as now, in 1917 and '18 and '19, a Democratic Administration provided sufficient taxes to pay off the entire war debt within ten or fifteen years.

Those taxes in the war days had been levied according to ability to pay. But the succeeding Republican Administration did not believe in that principle. There was a reason. They had political debts to those who sat at their elbows. (Applause) To pay those political debts, they reduced the taxes of thair friends in the higher brackets and left the national debt to be paid by later generations. (Because they evaded their obligation) Because they regarded the political debt as more important than the national debt, the depression in 1929 started with a sixteen billion dollar handicap on us and our children.

Now let's keep this little drama straight. The actors are the same. But the act is different. (Applause) Today their role calls for stage tears about the next generation. (Applause) But -- in the days after the World War -- they played a different part.

The moral of the play is clear. They got out from under then -- they would get out from under now -- if their friends could get back into power and they could get back to the driver's seat. But neither you nor I think that they

are going to get back. (Applause)

But, as in the World War, we have (again) created a tax structure to yield revenues adequate to pay the cost of this war against depression in this generation and not in the next.

New or increased taxes are not needed to enable us to balance the Federal Budget and to begin very soon a rapid reduction in the national debt. Why? Because recovery is with us. Federal revenues are increasing; emergency expenditures are decreasing. A balanced budget is on the way. Does that sound like bankruptcy to you? (Applause)

Let us keep on. Why this increase in government revenues? Because the taxpayer earns more money and spends more money. Though he pays more money in taxes, he has more money left for himself and (for) his family.

And here are some very simple and very interesting figures. For the average American -- we have reduced the individual income tax. Any family head who earns an income of less than \$26,000 a year pays a smaller income tax in 1936 than (he paid for) in 1932. Now that means that less than one per cent of the heads of American families are paying today (pay) more than they did; and more than ninety-nine per cent (pay) are paying less (than they did, for more than ninety-nine per cent earn less than) because more than ninety-nine per cent of American families earn less than \$26,000 per year. If you want the answer to this talk about high taxes

under this Administration -- there it is. Taxes are higher for (those) less than one per cent who can afford to pay high taxes. And they are lower for those who can afford to pay less. That is getting back again to the American principle -- taxation according to ability to pay. (Applause)

But you would think, to hear some people talk, that those good people who live at the top of our economic pyramid are being taxed into rags and tatters. What is the fact? The fact is that they are much further away from the poorhouse than they were in 1932. You and I know that as a matter of personal observation. (Applause)

A number of my friends who belong in these very high upper brackets have suggested to me on several occasions, have suggested more in sorrow than in anger that if I am re-elected President they will have to move to some other nation because of high taxes here. Now, I will miss them very much (applause) but if they did go they will soon come back. (Applause) Because (for) a year or two of paying taxes in almost any other country in the world will make them yearn once more for the good old taxes of the (United States) U.S.A.

One more word on recent history. I inherited from the previous Administration a tax structure which not only imposed an unfair income tax burden on the low-income groups of this country --but also imposed an unfair burden upon the average American by a long list of taxes on purchases and consumption -- in other words what we call hidden

taxes.

In 1933 when we came into office, fifty-eight cents out of every dollar of Federal revenue came from hidden taxes. Leaving out of account the liquor tax -- (for) because liquor was illegal (in 1933) when I came into office (applause) -- leaving out that tax, which is a hidden tax, we have reduced these indirect taxes to thirty-eight cents out of every dollar.

How else have we improved and Americanized the tax structure?

First, we gave a credit to earned income -- that is income from personal work or service -- thus substantially reducing taxes paid by the working citizen. Wasn't that the American thing to do?

(Second) Secondly, we decreased the tax rates on small corporations. Wasn't that the American thing to do?

And third, we increased the taxes paid by individuals in the higher brackets -- those (of) with incomes of over \$50,000 a year. Wasn't that the American thing to do? (Applause)

Fourth, we increased still further, more steeply, the taxes paid by individuals in the highest brackets -- (those) men and women with incomes (over) of one million dollars a year and up. Wasn't that the American thing to do? (Applause)

Fifth, we increased the tax on very large estates. Wasn't that the American (thing to do) way of doing it?

And finally, this year we had to find new revenues to meet the immediate bonus payments and to take the place of the processing taxes. This new tax -- called the undistributed profits tax -- is merely an extension of the individual income tax law and a plugging-up of the loopholes in it, loopholes, incidentally, that (which) could only be used (only) by (men of) people with very large incomes.

I want to say a word to you average investors and stockholders who are being flooded by propaganda about this tax -- propaganda, incidentally, paid for by your money. It is being disseminated by those who have used corporations in the past to build up their own economic power, who seek, by holding back your dividends, to keep down their taxes.

It is a fact that ninety-eight and a half per cent of all American corporations will pay a smaller normal corporation tax under the new law than under the old law.

And it is a fact that the law permits corporations to expand and build up adequate reserves.

But, my friends, for the first time it gives the stockholder a practical chance to determine for himself whether or not to keep his earnings in the corporation for expansion purposes or to take them out. He is now the one -- not the management, not the board of directors, he is now the one to choose between using his dividends for something

else (and) or reinvesting them in the stock of the corporation.

What we are concerned about (with) -- not only people who have no stocks and bonds but everybody who has ownership of stocks and bonds -- what we are concerned about primarily is principle -- and the principle of this law is sound.

If in its application, imperfections are discovered, they must be corrected for the good of American business just like imperfections in any other statute of the Federal Government or state or locality.

I am certain that the average of our citizenship is not taken in by the amazing amount of other tax misinformation -- which has been turned loose in this political campaign.

People tell you there are fifty-eight taxes on a loaf of bread, or sixty-three taxes on a lady's coat. But, my friends, stop, look and listen. You will find what the propagandists do not tell you -- that only two or three of all of them are Federal taxes imposed by the National Government. All the rest are imposed by local, town, county, city, district and state governments. And remember that two-thirds of all of the taxes paid in America are state and local taxes -- and not Federal taxes. (Applause)

And this Administration has had something to do with these local taxes. It has made them easier to bear. At the request of local and state governments for whom the local burden had become too heavy, we in Washington assumed

the cost of paying in greater part for work for the needy unemployed. And, by a national fiscal policy aimed at reducing interest rates throughout the nation we have greatly lightened the burden of carrying local government debts -- helping those of you who own homes (and) or farms or who pay rent.

I want to say a word also to the wage earners who are finding propaganda about the security tax in their pay envelopes. I want to remind them that the new social security law was designed for them -- for the greater safety of their homes and their families. The fund necessary to provide that security is not collected solely from workers. The employer, too, pays an equal share. And both shares -- yours and the employer's -- are being held for the sole benefit of the worker himself. (Applause)

I have spoken in Chicago and elsewhere of the simple fact that the overwhelming majority of business men are like the rest of us. Most of us, whether we earn wages, run farms or run businesses are in one sense business men. All they seek and all we seek is fair play based on the greater good of the greater number -- fair play on the part of the government in levying taxes on us and fair play on the part of government in protecting us against abuses.

Once more this year we must choose between democracy in taxation and special privilege in taxation. Are you willing to turn the control of the Nation's taxes back to

special privilege? I know and you know the American answer to that question. Your pay envelope may be loaded with suggestions of fear and your dividend letter may be filled with propaganda. But the American people will neither be bluffed nor bludgeoned.

The seeds of fear cannot bear fruit in the polling booth. (Applause)

Inside the polling booth every American man and every American woman stands as the equal of every other American man and woman. There they have no superiors. There they have no masters. There they have nobody telling them what to do -- save their own minds, (and) save their own consciences. There they are sovereign American citizens. And there on November third they will not fear to exercise that sovereignty. (Prolonged applause)

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Papers of President Franklin D. Roosevelt  
Master Speech File

Preliminary drafts of the Worcester, Mass.  
Speech, October 21, 1936.

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To be  
left

I bring you no news tonight when I tell you that we, the American people, are winning the battle against the depression. The signs of our recovery are about you on every hand. We read of them in our newspapers, but more than that we experience them in our business and our daily work. We are winning also the battle against fear, which was one of the bogies we had to oppress us. We had, it is true, real occasion for fear in the black days of three and a half years ago. We have no such occasion for fear now. We have instead not only hope, but real assurance that we are marching steadily forward to a prosperity greater than we have ever imagined, a prosperity that will be enjoyed, not merely by a few, but by all of our people.

That is the goal toward which we are all working. Our recovery has been a planned and purposeful recovery. Our new and greater prosperity will be a planned and purposeful prosperity.

Yet, there are those who go about reviving old bogies and exciting themselves by groundless fears in which they ask the people to share. One of these bogies is the familiar wail about what it has cost us to bring about recovery. I dealt with that bogey in a speech at Pittsburgh on the first day of this month, when I gave a few plain and simple figures about the box score of recovery. Tonight I want to talk in equally simple terms about another and equally false fear, the fear that is expressed in the question: How are we going to pay for it?

In other words, I am going to talk about taxation - taxation to defray the expenses of recovery. I can speak about it in equally simple terms because the facts themselves are simple. They are facts that go back a little beyond this present administration into the general trend of our tax history.

When I spoke at Pittsburgh, I asked the American people to view the expenditures of the Government in the last three years, in so far as they had exceeded the revenues of the Federal Government, as an investment in the future of America - for this, in simple truth, they are. That investment is one which has already yielded dividends far beyond its cost. The proof of that lies in the one plain fact, that since we started our recovery effort, our battle to restore decent American living conditions to the American people, the annual national income has risen by more than twenty billions of dollars. The national income for this year alone - in a single year, mind you, will exceed the national income in the depth of the depression by a sum that is more than twice the amount of the whole cost of recovery to date.

In promoting recovery we have not been unmindful of the costs and we have not been unmindful of the gains we hoped to achieve. The shrewd business man when he contemplates an investment looks not only at the amount he will have to invest. He welcomes every opportunity to invest money to bring a substantial profit; he matches the contemplated

expenditure against the contemplated gains. And if he should find, after he has made the investment, that he has gained from it in a single year 250 per cent of the amount he has invested, and that the gains are continuing, will he bewail the cost, even if he went in debt for it? Oh no! He will look at the state of his business with a smile of satisfaction and when he finds, as he will find and as we have found, that his credit at the bank has been immensely improved as a result of his investment and his gains, his feeling of satisfaction will be even deeper. Here, he will say, is a promotion investment that made good in a big way. That is exactly what has happened to the Federal economy in the last three years. By the judicious expenditure of borrowed funds a sick business, a failing business, has been put on its feet again. It is not a new thing in business history; it is paralleled in the history of many a business enterprise when energy and intelligence have been applied to its problems.

With this picture in view, there is not much need to worry about how the stockholders - and you are the stockholders - are going to meet the interest on this borrowed capital and how we are going to convert it from a bonded debt into a stock ownership. The answer is very plain. The profits are going to do that. They are doing it. But perhaps you would like to know some of the details of how the interest on the bonded debt will be met and how the bonded debt will be reduced. That is a problem of tax policy.

Let us take a look for a few moments at our present, past and future tax policies. Is there a plan and is there a necessity to lay a new and

heavy burden of taxation upon the American people? I made an answer to that question in my Budget Summation statement of a year ago. I answered it again in the Budget Message that was submitted to the Congress in January of this year. I have the same answer to make to you tonight. It is this. Our present tax structure is strong enough so that we do not need any new or increased taxes to balance the Federal budget, to meet the interest on the public debt and to begin very soon, and to continue, a rapid reduction in the public debt. As recovery continues, as prosperity increases, the Federal revenues are increasing. The revenue for the fiscal year 1936, that ended June 30th of this year, was approximately double the revenue for the fiscal year 1935. With the utmost conservatism we have estimated that the revenues for the fiscal year 1937, which ends next June 30th, will be not less than a billion and a half greater than the 1936 revenues. But you say that this certainly must mean that the American people will be paying a great deal more in taxes in this and succeeding years. The answer is: Of course, they will be paying more; they will be paying more only because they are earning more and because they are buying more of the comforts and luxuries of life that they can afford to buy with increased incomes and increased profits. At the same time that they pay more in aggregate amount in taxes, they will have much more left for their own uses. Our recovery is not only a paying investment for our Government; it is a paying investment in far higher proportion for the American people.

To my statement in the Budget Message of January, 1936, I added a qualification that had an important bearing on our budget policy, as well as our tax policy. I said that if action of the Supreme Court should deprive us of revenues we were receiving from processing taxes to support our program of rebuilding farm income, it would be necessary to provide a substitute source of taxation. And I said further that if the Congress should authorize additional expenditures not contemplated in the Budget, additional revenue would have to be supplied to meet those expenditures.

To repair the gaps in our revenue, which resulted from the annulment of the processing taxes and the prepayment of the veterans adjusted service certificates, I did request, and the Congress voted, additional taxes. Of the character of the more important of these taxes, I shall speak a little later, but it is important to notice here what they represented in budget policy.

Our expenditures have been planned to produce a definite result. They were and are truly an investment in the future of America. We have planned them thrifitfully. We have not hesitated to authorize expenditure that would produce income to the people, but, on the other hand, just as definitely we set limits to the extent to which deficit expenditure would be carried. We had passed the turning point in January, 1936; assured recovery was well under way. It was not then advisable to cut off altogether emergency expenditures. The hungry had to be fed, work had to be provided for those still unemployed. We

could not shirk that responsibility, but we could, and did, take a firm stand against new classes of expenditures unless those expenditures were financed by additional sources of revenue.

What have we done in the matter of taxation in this administration? First of all we rejected the theory that in that great emergency we would attempt absolutely to limit expenditures to the amount of Federal income. We rejected also the policy of loading on the people an immediate burden of taxation sufficient to balance recovery expenditures. It would have been an impossible procedure. The imposition of general taxes on such a scale would not have promoted but would have stifled recovery.

It is true there was another alternative. Congress had placed in my hands extraordinary weapons for dealing with the emergency and saving the American people from a worse disaster. First, in one portion of the Farm Relief Act of 1933 there was provision for the issuance, at my discretion, of three billions of dollars worth of currency. Second, the change in the gold content of the dollar put into the possession of the Government more than \$2,800,000,000 of gold profit, which could have been used to defray Government expenditures. Third, under the Silver Purchase Act we could have issued close to an additional billion dollars of silver certificates. Here was an aggregate resource almost sufficient to defray the entire cost of recovery up to date without the necessity of borrowing from the public. But we did not have to use this method. We did not have to use it because confidence in the public credit made it unnecessary. We believed we could rely on the credit of the American people. That was enough. The result has proved that we were right.

The Revenue Act of 1932, passed in the last year of the prior administration, had imposed a burden of general taxation striking all ranks of our people that could not safely be increased. That Act, it is true, had increased the tax contribution of persons of large income, best able to pay additional taxes, but it had also increased to a striking degree the tax load of all the lower income groups. In it there was also enacted a long list of taxes on purchases and consumption, the taxes sometimes referred to as hidden taxes. These were the contribution of the prior administration to our tax structure.

By the acts of 1934, 1935 and 1936 this administration has made important changes in the tax structure. These changes have been in the direction of further graduating taxes according to the just and sound principle of ability to pay, the principle which for more than forty years the representatives of the Democratic Party in public life have sought to establish as the basic principle of our tax system.

First of all, by the Revenue Act of 1934, we accomplished substantial reductions in the amount of taxes paid by those in the lowest income groups. We did this by restoring to the tax statutes favored treatment for earned income, income that is pay for personal work and productive service. The result of that provision is a reduction in tax for all persons with incomes less than \$26,000 a year, whose incomes are derived from their own personal labor.

We have increased the rate of taxation on those best able to pay. We increased surtax schedules on incomes of more than \$100,000 a year. We established a maximum surtax bracket of 75 per cent, which applies

only to that portion of an individual's income in any one year which exceeds five million dollars. The previous maximum of 55 per cent, under the 1932 Revenue Act, had applied to all income over a million dollars a year. We have changed the schedule of corporation income taxes so as to provide for graduated rates, with the result that the smallest corporations pay at a lower rate than they paid in 1932, while the largest corporations pay at a slightly higher rate than they paid in that year.

Finally we added, in the 1936 Revenue Act, the undistributed profits tax. This is a tax at rates ranging from 7 per cent to 27 per cent on that portion of the net income of a corporation which is not distributed to the corporation's real owners, the stockholders, in the form of dividends. You have heard criticism of this tax. It is criticism mainly inspired by those who do not themselves believe in the principle of taxation according to ability to pay, the principle which has become the basis of fair taxation in every progressive country in the world.

Let me explain in a few words the underlying principles of that tax. The income tax law in the past has not been impartial. It has attempted to apply the highest surtax rates to those having the largest incomes, but it offered a great and easy loophole of escape - a tax privilege available only to persons with very large incomes. These men characteristically have large blocks of capital invested in corporations, on which they rely for their principal source of income. They have paid heretofore individual income taxes on their corporation earnings only

build a new home with your savings, or to put them by for your own rainy day, you do not get any special taxation treatment on that account. Nor do partnerships and individual business men if they want to pay off business debts or expand their enterprises.

Are the rates of this new tax unfair? They are not unfair. They are designed to do no more than return to the Federal Government the same revenue yield, or approximately the same revenue yield, as would be obtained from stockholders if the corporation's profits were fully distributed to its owners, the stockholders. The act is in the interest of corporation stockholders, although that is but an incident to the main purpose of justice and equity in taxation. You have been told that it will hamper corporate thrift and that it will hurt small corporations, yet the fact is that three-quarters of all corporations reporting any net income will pay smaller total taxes under this law than under previously existing law even if they withhold from their stockholders as much as forty per cent of a year's earnings.

The undistributed profits tax, as enacted in the Revenue Act of 1936, is in perfect harmony with the principle and policy of taxation which we have consistently followed in this administration. It is the policy of impartial taxation, not discriminating against any person or class, but based upon the principle of ability to pay; and ability to pay in turn is derived and is proportioned to the advantages and privileges which the resources of our nation and its system of Government afford to its citizens. From those to whom it has given the most, it expects the most, each according to his ability.

That is not the principle that has always been followed in deciding the tax policy of our Government. It is not the principle that was followed in the long years from 1921 to 1935. In those years the hard won victory of the people in establishing the principle of ability to pay was almost completely nullified by administrations which shaped their tax policies to lighten the burdens of the well to do. In those years we had successive cuts in the surtax rates on large fortunes that were hailed by the economic royalists of America as inspired statesmanship.

The effect of those reductions in the taxes of those best able to pay taxes, and other concessions to men of great fortunes, was first to slacken the rate of retirement of the great World War debt and finally, when the depression came on, to convert the surplus in Federal revenues into a deficit of huge proportions. Men who should have been contributing to meeting the great emergency were enabled to shirk their responsibility. All through the depression and the recovery period, we have been bearing the burden of this shortsighted tax policy, just as we have borne the burden of interest on ten billions of debt which should not have existed when this administration took over responsibility.

Our people have suffered under the burden, but they are coming through. We have readjusted the burden so that it bears most lightly on those least able to sustain it and most heavily on those best able to sustain it. Our tax structure is the strongest the nation has ever

had. Improvements in it will increase very substantially, and without any hardship, the revenues for the next fiscal year and the years that follow, but the main increase is coming from the increased prosperity of our people, a prosperity which will not be retarded by the present tax system. We had in the 1920's a tax system which invited disaster. It invited it by promoting and encouraging the unjust and improvident distribution of national income. We have rejected the theory that prosperity can endure while a few obtain privileges at the expense of the many. We seek and we shall attain a prosperity more evenly shared, a prosperity based on justice to all.

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Final Proposed Draft

I am glad to be in New England -- New England from which have come most of my forebears. In recent weeks I have travelled through a great part of the United States. I have spoken about farming and mining and livestock, about business big and little, about the wage earner, about the national debt, about drought and flood, about work for the needy unemployed and security -- security for our people and for their homes.

I have found a Nation more greatly prosperous, more definitely on the highway to complete recovery than at any time in the past seven years. I have seen the record of what we have done in the faces of the people I have met. We have banished old man Gloom.

It has taken only one day of driving through Rhode Island and Massachusetts to prove to me that New England is in step and on march with the rest of the Nation.

I have seen things today more <sup>from welfare to me</sup> ~~pleasant~~ than your lovely autumn foliage. I have seen the smoke from factories -- which 3½ years ago were smokeless. I have heard the sound of mills -- which

3½ years ago were silent. I have seen men at work who 3½ years ago were jobless. I have seen women and children who -- after long years of fear -- have begun to live and hope again.

Three and a half years ago we declared war on the depression. You and I know today that that war is being won.

But now comes that familiar figure -- the well-upholstered hindsight critic. He tells us that our strategy was wrong -- that the cost was too great -- that something else won the war. That is an argument as old as the remorse of those who had their chance and muffed it. It is as recent as the claims of those who say that they could have done it better.

You may remember the First Battle of the Marne. Almost everybody thought that Marshall Joffre had won it. But some refused to agree. One day, a newspaper man appealed to Marshall Joffre: "Will you tell me who did win the Battle of the Marne". "I can't answer that", said the Marshall. "But I can tell you that if the Battle of the Marne had been lost the blame would have been on me."

Our war, too, had to be won. No price, we were told then, was too high to pay to win it. We did count the cost. But in the barrage we were laying down against the depression we could not stop firing to haggle about the price of every shell. We kept on fighting. The important thing is that the war is being won.

Without ~~that~~ victory we cannot have the kind of an America we know and love and want our children to live in.

New England -- as one of the senior partners in the company of the states -- has always stood for two of the fundamentals of American liberty -- the Town Meeting, with its essential insistence on local control over local affairs -- and the doctrine for which Sam Adams and his friends were willing to fight -- the doctrine of democracy in taxation. While I do not happen to be a cousin of the distinguished Adams family, I consider myself, politically, a lineal descendant of old Sam.

In 1776 the fight was for democracy in taxation. In 1936 that is still the fight. Mr. Justice Oliver Wendell Holmes once

said: "Taxes are the price we pay for civilized society". One sure way to determine the social conscience of a government is to examine the way taxes are collected and how they are spent. And one sure way to determine the social conscience of an individual is to get his tax-reaction.

Taxes, after all, are the dues we pay for the privileges ~~and~~ membership in an organized society.

As society becomes more civilized, government -- national, state and local government -- is called on to assume more obligations to its citizens. The privileges of membership in a civilized society have vastly increased in modern times. But I am afraid ~~we have many who still don't recognize their advantages and that the number of those who~~ want to avoid paying their dues, ~~but~~

~~undertook~~

It is only in the past two generations that most local communities have paved and lighted their streets, put in town sewers, provided town water supplies, organized fire departments, established high schools and public libraries, created parks and playgrounds -- ~~undertook~~, in short, all kinds of necessary new activities which,

-15-

performe, had to be paid for out of local taxes.

And let me at this point note that in this most amazing of campaigns I found sections of the Nation where Republican leaders were actually whispering the word to the owners of homes and farms that the present Federal Administration proposed to make a cash levy on local real estate to pay off the national debt. They know that the Federal Government does not tax real estate -- that it cannot tax real estate. If they do not know that, I suggest they read the Constitution of the United States to find out.

New obligations have also been assumed by the several states  
<sup>to their citizens</sup>  
and by the Federal Government to their citizens -- obligations  
<sup>increasing and a half if not more</sup>  
<sup>unknown in the old days, but made necessary by new inventions and</sup>  
<sup>by a constantly growing social conscience.</sup>

The easiest way to summarize the reason for this extension of government functions, local, state and national, is to use the words of Abraham Lincoln: "The legitimate object of government is to do for the people what needs to be done but which they cannot by individual effort do at all, or do so well, for themselves."

Taxes are the price we all pay collectively to get ~~done~~<sup>These things</sup> done.

To divide fairly among the people the obligation to pay for these benefits has been a major part of our struggle to maintain democracy in America.

Ever since 1776 that struggle has been between two forces. On the one hand, there has been the vast majority of our citizens who believed that the benefits of democracy should be extended and who were willing to pay their fair share to extend them. On the other hand, there has been a small, but powerful ~~group~~<sup>group</sup>, which has fought the extension of those benefits, because it did not want to pay a fair share of their cost.

That was the line-up in 1776. That is the line-up in this campaign. And I am confident that once more -- in 1936 -- democracy in taxation will win.

Here is my principle: Taxes shall be levied according to ability to pay. That is the only American principle.

Before this great war against the depression we fought the World War; and it cost us 25 billion dollars in three years to win it. We borrowed to fight that war. Then, as now, a Democratic

Administration provided sufficient taxes to pay off the entire war debt within ten or fifteen years.

Those taxes had been levied according to ability to pay. But the succeeding Republican Administration did not believe in that principle. There was a reason. They had political debts to those who sat at their elbows. To pay those political debts, they reduced the taxes of their friends in the higher brackets and left the national debt to be paid by later generations. Because they evaded their obligation, because they regarded the political debt as more important than the national debt, the depression in 1929 started with a 16 billion dollar handicap on us and our children.

Now let's keep this little drama straight. The actors are the same. But the act is different. Today their role calls for stage tears about the next generation. But -- in the days ~~of~~ <sup>W.H.</sup> the World War -- they played a different part.

*clear*  
The moral of the play is ~~that~~. They got out from under then -- they would get out from under now -- if their friends could get back into power and they could get back to the driver's seat. But

neither you nor I think that they are going to get back.

Today we are winning another war. In winning that victory, the Government has assumed additional obligations to its citizens -- assumed them with the wholehearted consent of the vast majority of our people. But, as in the World War, we have again created a tax structure to yield revenues adequate to pay the cost of this war against depression in this generation and not in the next.

New or increased taxes are not needed to enable us to balance the Federal Budget and to begin very soon a rapid reduction in the national debt. Recovery is with us. Federal revenues are increasing; emergency expenditures are decreasing. Does that sound like bankruptcy to you?

*Government*  
Why this increase in revenues? Because the taxpayer earns more money and spends more money, ~~more luxuries~~. Though he pays more money in taxes he has more money left for himself and for his family.

*The*  
For the average American -- we have reduced ~~his~~ individual income tax. Any family head who earns an income of less than

\$26,000 a year pays a smaller income tax in 1936 than he paid for

~~in 1932, one half of one percent~~  
1932. That means that ~~about~~ of the heads of American families  
~~more~~ ~~and 99 1/2 % pay less than they did,~~  
pay ~~more~~ than they did; for they earn less than \$26,000 per year.

The only ones who pay a higher tax now than they paid for 1932

are those whose incomes are over \$26,000 a year. If you want the answer to this talk about high taxes under this Administration -- there it is. Taxes are high for those who can afford to pay high taxes. They are lower for those who can afford to pay less. That

~~Again~~  
is getting back to the American principle ~~again~~ -- taxation according to ability to pay.

You would think, to hear some people talk, that those good people who live at the top of our economic pyramid are being taxed into rags and tatters. What is the fact? The fact is that they

are much further away from the poorhouse than they were in 1932.

~~You must know that this is a matter of personal observation,~~  
What do we find when we look at the income of the 1,000 in-

dividuals who paid the highest personal income taxes in the United States for the year 1935? In the vast majority of them, it is true that they paid more taxes than in 1932 and at steeper rates. But

we find also, and this is the important point, that they had more left for themselves after the taxes were paid.

A number of my friends who belong in these upper brackets have suggested to me more in sorrow than in anger that if I am reelected they will have to move to some other nation because of high taxes. I will miss them very much but if they go they will soon come back. For a year or two of paying taxes in almost any other country in the world ~~will~~ make them yearn once more for the good old taxes of the United States.

One more word on recent history. I inherited from the previous Administration a tax structure which not only imposed an unfair income tax burden on the low-income groups of this country -- ~~In other words, upon the average American.~~ <sup>but</sup> It also imposed an unfair burden upon the average American by a long list of taxes on purchases and consumption -- hidden taxes.

This Administration, determined to return to the American principle, has imposed no hidden taxes -- save the excise tax on liquor and the temporary processing tax for a specific emergency

(C)

purpose.

In 1933 when we came into office ~~one~~ <sup>fifty-eight</sup> cents out of every dollar of federal revenue came from hidden taxes. Leaving out of account the liquor tax -- ~~for~~ liquor was illegal in 1933 -- we have reduced these indirect taxes to ~~one~~ <sup>thirty-eight</sup> cents out of every dollar.

~~Hidden taxes bear too heavily on those least able to pay. They will not be increased by this Administration.~~

How else have we improved and Americanized the tax structure,  
~~by putting more of the burden where it ought to be?~~

First, we gave a credit to earned income -- that is income from personal work or service -- thus substantially reducing taxes paid by the working citizen. Wasn't that the American thing to do?

Second, we decreased the tax rates on small corporations. Wasn't that the American thing to do?

Third, we increased the taxes paid by individuals in the higher brackets -- those of incomes over \$100,000 a year. Wasn't that the American thing to do?

*still further*

Fourth, we increased the taxes paid by individuals in the highest brackets -- those with incomes over ~~five~~ million dollars a year.

Wasn't that the American thing to do?

~~Finally, we increased the tax on very large estates. What's~~

immediate bonus payments and to take the place of the processing

taxes. ~~We have followed the American principle of taxing accord-~~

~~ing to ability to pay.~~ This tax -- called the ~~corporate sur-~~ <sup>new</sup> ~~undistributed profits~~

tax -- is ~~merely an extension of~~ merely an extension of

the individual income tax law and a plugging-up of the holes in it ~~which~~  
~~came in used only by share of very large incomes.~~

Let me tell you why. Here, let us say, is an individual with a very large income who belongs to that small minority and wants to escape paying his fair share of taxes. What could he do? He could form his own corporation, or with a number of like-minded men he could get control of a corporation and leave its earnings in the company treasury as surplus. On that income the corporation had to pay only 12½%. But if the individual had taken out his share of the earnings in person, he would have had to pay thirty or forty percent or more. In this way, he avoided paying a fair tax

INSERT A, page 13

It is a fact that ~~1/2~~<sup>98%</sup> of all American corporations will pay  
a smaller normal corporation tax under the new law.

It is a fact that ~~it~~<sup>the law</sup> permits corporations to expand and build  
up adequate reserves.

INSERT B, page 15

If in its application, imperfections are discovered, they  
~~be~~  
must corrected for the good of American business.  
A

INSERT C, page 10

I remind you that the final recommendation of the Secretary  
of the Treasury in the previous Administration was to impose a  
~~Manufacturers~~  
general sales tax of 2  $\frac{1}{4}\%$ .

~~on the profits of the business, a tax which he would have had to pay if he had run the business as an individual. The small stockholder had no such incentive to leave his dividend in the corporation. He wanted to have it to spend or to reinvest. Only the largest stockholders could use, that loophole.~~

~~Don't you agree with me that to plug that loophole was the American thing to do?~~

I want to say a word to you average investors and stockholders who are being flooded by ~~corporation~~ propaganda about this tax -- propaganda, incidentally, paid for by your money. ~~That type of~~ <sup>DT</sup> ~~propaganda~~ is being disseminated by those who have used corporations in the past to build up their own economic power, who seek, by holding ~~back~~ back your dividends, to keep down their taxes.



What are the facts:

(1) Under the new law even if 40% of surplus is retained three-quarters of all corporations which are making a profit will pay smaller total taxes than under the old law.

(2) The normal corporation tax on any corporation having an

income of less than \$92,800 is actually decreased. That decrease applies to 97½% of all American corporations.

(3) The small corporation -- the corporation of the average business man, gets better protection for his pays a normal corporation tax which has been reduced from 12½ to 8%.

(4) The new law still permits a corporation to expand and build up adequate reserves. But for the first time it ~~is~~ is the stockholder <sup>now</sup> <sup>a chance to</sup> determine for himself whether or not to keep his earnings in the corporation for expansion purposes. He is now the one to choose between using his dividends for something else and re-investing them in the stock of the corporation.

There is the fly in the ointment. Under the new law the controlling group of a corporation has to obtain the consent of the stockholders before they can set aside extra large surpluses. Their difficulty is not that it can't be done. It is that the stockholders must do it and not the insiders.

This is the amazing statement of the United States Chamber of Commerce about this new law. They said: "It would encourage

meddling by stockholders in the management of many corporations."

What a give-away! Here is a law condemned because it allows people to meddle with the management of their own property.

Neither this law nor any other tax law that I have ever met is perfect. None ever will be. Every tax law has imperfections either in its original draft or because in practice inequalities are discovered or because conditions change. Any imperfection found in this statute will be corrected.

What we are concerned with primarily is principle -- and the principle of this law is sound.

B. I am ~~suspicious~~ certain that the average of our citizenship is not taken in by the amazing amount of other tax misinformation -- which has been turned loose in this political campaign.

People tell you there are 58 taxes on a loaf of bread, or ~~63~~  
*a lady's coat.* ~~Stop, look and listen.~~  
taxes on ~~most~~ clothes. But ~~take a good look at them.~~ You  
will ~~find~~ what the propagandists do not tell you -- that only two  
or three of all of them are federal taxes imposed by the National  
Government. All the rest are imposed by local, town, county, city,

D p 16

I want to say a word also to the wage earners who are finding propaganda about the security tax in their pay envelopes. I want to remind them that the security law was designed for them - for the greater safety of their homes and families. The fund necessary to provide that security is not collected solely from workers. The employer, too, pays an equal share. And both shares - yours and the employers - are being held for ~~the~~ sole benefit *of the worker* -

district and state governments. Two-thirds of all the taxes paid in America are state and local taxes -- not federal taxes.

This Administration has had something to do with these local taxes. It has made them ~~lighter~~<sup>easier to bear</sup>. At the request of local and state governments for whom the local burden had become too heavy, we assumed the cost of paying in greater part for work for the needy unemployed. And, by a national fiscal policy aimed at reducing interest rates we have greatly lightened the burden of carrying local government debts -- helping those of you who own homes and farms or who pay rent.

D

I have spoken in Chicago and elsewhere of the simple fact that the overwhelming majority of business men are like the rest of us. Most of us whether we earn wages, run farms or run businesses are in one sense business men. All they seek and all we seek is fair play based on the greater good of the greater number -- fair play on the part of the ~~unjust~~ government ~~which represents~~ in levying taxes on us and fair play on the part of government in protecting us against abuses.

Once more this year we must choose between democracy in taxation and special privilege in taxation. Are you willing to turn the control of the Nation's taxes back to special privilege? I know the American answer to that question. Your pay envelope may be loaded with suggestions of fear and your dividend letter may be filled with propaganda. But the American people will neither be bluffed nor bludgeoned.

The seeds of fear cannot bear fruit in the polling booth.

Inside ~~the~~<sup>the</sup> polling booth every American man and woman stands as the equal of every other American man and woman. There they have no superiors. There they have no masters -- save their own minds and consciences. There they are sovereign American citizens. There on November third they will not fear to exercise that sovereignty.

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FOR THE PRESS

CONFIDENTIAL

October 20, 1956

HOLD FOR RELEASE

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HOLD FOR RELEASE

The following address of the President to be delivered  
in the Auditorium, Worcester, Massachusetts, on Wednesday,  
October 21 must be held in confidence until released.

Release upon delivery, expected about 10:00 P.M., E. S. T.  
Please safeguard against premature release.

STEPHEN EARLY

Assistant Secretary to the President

STATEMENTS FILE  
ShorthandByKanner

I am glad to be in New England — New England from which have come most of my forebears. In recent weeks I have travelled through a great part of the United States. I have spoken about farming and mining and livestock, about business big and little, about the wage earner, about the national debt, about drought and flood, about work for the needy unemployed and security — security for our people and for their homes.

I have found a Nation more greatly prosperous, more definitely on the highway to complete recovery than at any time in the past seven years. I have seen the record of what we have done in the faces of the people I have met. We have banished old man Gloom.

It has taken only one day of driving through Rhode Island and Massachusetts to prove to me that New England is in step and on march with the rest of the Nation.

I have seen things today even more welcome to me than your lovely autumn foliage. I have seen the smoke from factories — which three and a half years ago were smokeless. I have heard the sound of mills — which three and a half years ago were silent. I have seen men at work who three and a half years ago were jobless. I have seen women and children who — after long years of fear — have begun to live and hope again.

Three and a half years ago we declared war on the depression. You and I know today that that war is being won.

But now comes that familiar figure — the well-upholstered hindsight critic. He tells us that our strategy was wrong — that the cost was too great — that something else won the war. That is an argument as old as the remorse of those who had their chance and missed it. It is as recent as the claims of those who say that they could have done it better.

You may remember the First Battle of the Marne. Almost everybody thought that Marshall Joffre had won it. But some refused to agree. One day, a newspaper man appealed to Marshall Joffre: "Will you tell me who did win the Battle of the Marne?" "I can't answer that", said the Marshal. "But I can tell you that if the Battle of the Marne had been lost the blame would have been on me."

Our war, too, had to be won. No price, we were told then, was too high to pay to win it. We did count the cost. But in the barrage we laid down against the depression we could not stop firing to haggle about the price of every shell. We kept on fighting. The important thing is that the war is being won.

Without that victory we cannot have the kind of an America we know and love and want our children to live in.

New England — as one of the senior partners in the company of the states — has always stood for two of the fundamentals of American liberty — the Town Meeting, with its essential insistence on local control over local affairs — and the doctrine for which Sam Adams and his friends were willing to fight — the doctrine of democracy in taxation. While I do not happen to be a cousin of the distinguished Adams family, I consider myself, politically, a lineal descendant of old Sam.

In 1776 the fight was for democracy in taxation. In 1936 that is still the fight. Mr. Justice Oliver Wendell Holmes once said: "Taxes are the price we pay for civilized society." One sure way to determine the social conscience of a government is to examine the way taxes are collected and how they are spent. And one sure way to determine the social conscience of an individual is to get his tax-reaction.

Taxes, after all, are the dues we pay for the privileges of membership in an organized society.

As society becomes more civilized, government -- national, state and local ~~governament~~ -- is called on to assume more obligations to its citizens. The privileges of membership in a civilized society have vastly increased in modern times. But I am afraid we have many who still do not recognize their advantages and want to avoid paying their dues.

It is only in the past two generations that most local communities have paved and lighted their streets, put in town sewers, provided town water supplies, organized fire departments, established high schools and public libraries, created parks and playgrounds -- undertaken, in short, all kinds of necessary new activities which, perchance, had to be paid for out of local taxes.

And let me at this point note this: in this most amazing of campaigns, I found sections of the Nation where Republican leaders were actually whispering the word to the owners of homes and farms that the present Federal Administration proposed to make a cash levy on local real estate to pay off the national debt. They know that the Federal Government does not tax real estate -- that it cannot tax real estate. If they do not know that, I suggest they read the Constitution of the United States to find out.

New obligations to their citizens have also been assumed by the several states and by the Federal Government ~~to their citizens~~ obligations unknown a century and a half ago, but made necessary by new inventions and by a constantly growing social conscience.

The easiest way to summarize the reason for this extension of government functions, local, state and national, is to use the words of Abraham Lincoln: "The legitimate object of government is to do for the people what needs to be done but which they cannot by individual effort do at all, or do so well, for themselves."

Taxes are the price we all pay collectively to get those things done.

To divide fairly among the people the obligation to pay for these benefits has been a major part of our struggle to maintain democracy in America.

Ever since 1776 that struggle has been between two forces. On the one hand, there has been the vast majority of our citizens who believe that the benefits of democracy should be extended and who were willing to pay their fair share to extend them. On the other hand, there has been a small, but powerful group which has fought the extension of those benefits, because it did not want to pay a fair share of their cost.

That was the line-up in 1776. That is the line-up in this campaign. And I am confident that once more -- in 1936 -- democracy in taxation will win.

Here is my principle: Taxes shall be levied according to ability to pay. That is the only American principle.

Before this great war against the depression we fought the World War; and it cost us twenty-five billion dollars in three years to win it. We borrowed to fight that war. Then, as now, a Democratic Administration provided sufficient taxes to pay off the entire war debt within ten or fifteen years.

Those taxes had been levied according to ability to pay. But the succeeding Republican Administration did not believe in that principle. There was a reason. They had political debts to those who sat at their elbows. To pay those political debts, they reduced the taxes of their friends in the higher brackets and left the national debt to be paid by later generations. Because they ended their obligation. Because they regarded the political debt as more important than the national debt, the depression in 1929 started with a sixteen billion dollar handicap on us and our children.

Now let's keep this little drama straight. The actors are the same. But the act is different. Today their role calls for stage tears about the next generation. But -- in the days after the World War -- they played a different part.

The moral of the play is clear. They got out from under then -- they would get out from under now -- if their friends could get back into power and they could get back to the driver's seat. But neither you nor I think that they are going to get back.

But, as in the World War, we have again created a tax structure to yield revenues adequate to pay the cost of this war against depression in this generation and not in the next.

New or increased taxes are not needed to enable us to balance the Federal Budget and to begin very soon a rapid reduction in the national debt. Recovery is with us. Federal revenues are increasing; emergency expenditures are decreasing. A balanced budget is on the way. Does that sound like bankruptcy to you?

Why this increase in government revenues? Because the taxpayer earns more money and spends more money. Though he pays more money in taxes, he has more money left for himself and for his family.

For the average American -- we have reduced the individual income tax. Any family head who earns an income of less than \$26,000 a year pays a smaller income tax in 1936 than he paid for 1932. That means that less than one per cent of the heads of American families (pay) more than they did; and more than ninety-nine per cent pay less than they did, for more than ninety-nine per cent earn less than \$26,000 per year. If you want the answer to this talk about high taxes under this Administration -- there it is. Taxes are higher for those who can afford to pay high taxes. They are lower for those who can afford to pay less. That is getting back again to the American principle -- taxation according to ability to pay.

You would think, to hear some people talk, that those good people who live at the top of our economic pyramid are being taxed into rags and tatters. What is the fact? The fact is that they are much further away from the poorhouse than they were in 1932. You and I know that as a matter of personal observation.

A number of my friends who belong in these upper brackets have suggested to me more in sorrow than in anger that if I am reelected they will have to move to some other nation because of high taxes here. I will miss them very much but if they go they will soon come back. For a year or two of paying taxes in almost any other country in the world will make them yearn once more for the good old taxes of the United States USA.

One more word on recent history. I inherited from the previous Administration a tax structure which not only imposed an unfair tax burden on the low-income groups of this country -- but also imposed an unfair burden upon the average American by a long list of taxes on purchases and consumption -- hidden taxes.

In 1933 when we came into office, fifty-eight cents out of every dollar of Federal revenue came from hidden taxes. Leaving out of account the liquor tax -- few liquor was illegal in 1933 -- we have reduced these indirect taxes to thirty-eight cents out of every dollar.

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How else have we improved and Americanized the tax structure?

First, we gave a credit to earned income -- that is income from personal work or service -- thus substantially reducing taxes paid by the working citizen. "Ain't that the American thing to do?"

Second, we decreased the tax rates on small corporations. "Ain't that the American thing to do?"

Third, we increased the taxes paid by individuals in the higher brackets -- those ~~of~~ incomes over \$50,000 a year. "Ain't that the American thing to do?"

Fourth, we increased still further the taxes paid by individuals in the highest brackets -- those with incomes over one million dollars a year. "Ain't that the American thing to do?"

Fifth, we increased the tax on very large estates. "Ain't that the American thing to do?"

Finally, this year we had to find new revenues to meet the immediate bonus payments and to take the place of the processing taxes. This new tax -- called the undistributed profits tax -- is merely an extension of the individual income tax law and a plugging-up of the loopholes in it, loop-holes which could be used only by men of very large incomes.

I want to say a word to you average investors and stockholders who are being flooded by propaganda about this tax -- propaganda, incidentally, paid for by your money. It is being disseminated by those who have used corporations in the past to build up their own economic power, who seek, by holding back your dividends, to keep down their taxes.

It is a fact that ninety-eight and a half per cent of all American corporations will pay a smaller normal corporation tax under the new law.

It is a fact that the law permits corporations to expand and build up adequate reserves.

But for the first time it gives the stockholder a practical chance to determine for himself whether or not to keep his earnings in the corporation for expansion purposes. He is now the one to choose between using his dividends for something else and reinvesting them in the stock of the corporation.

That we are concerned ~~with~~ primarily is principle -- and the principle of this law is sound.

If in its application, imperfections are discovered, they must be corrected for the good of American business.

I am certain that the average of our citizenship is not taken in by the amazing amount of other tax misinformation -- which has been turned loose in this political campaign.

People tell you there are fifty-eight taxes on a loaf of bread, or sixty-three taxes on a lady's coat. But stop, look and listen. You will find what the propagandists do not tell you -- that only two or three of all of them are Federal taxes imposed by the National Government. All the rest are imposed by local, town, county, city, district and state governments. Two-thirds of all the taxes paid in America are state and local taxes -- not Federal taxes.

This Administration has had something to do with these local taxes. It has made them easier to bear. At the request of local and state governments for whom the local burden had become too heavy, we assumed the cost of paying in greater part for work for the needy unemployed. And, by a national fiscal policy aimed at reducing interest rates, we have greatly lightened the burden of carrying local government debts -- helping those of you who own homes and farms or who pay rent.

I want to say a word also to the wage earners who are finding propaganda about the security tax in their pay envelopes. I want to remind them that the security law was designed for them -- for the greater

safety of their homes and families. The fund necessary to provide that security is not collected solely from workers. The employer, too, pays an equal share. And both shares -- yours and the employers' -- are being held for the sole benefit of the workers.

I have spoken in Chicago and elsewhere of the simple fact that the overwhelming majority of business men are like the rest of us. Most of us whether we earn wages, run farms or run businesses are in one sense business men. All they seek and all we seek is fair play based on the greater good of the greater number -- fair play on the part of the government in levying taxes on us and fair play on the part of government in protecting us against abuses.

Once more this year we must choose between democracy in taxation and special privilege in taxation. Are you willing to turn the control of the Nation's taxes back to special privilege? I know the American answer to that question. Your pay envelope may be loaded with suggestions of fear and your dividend letter may be filled with propaganda. But the American people will neither be bluffed nor bludgeoned.

The seeds of fear cannot bear fruit in the polling booth.

Inside the polling booth every American man and woman stands as the equal of every other American man and woman. There they have no superiors. There they have no masters -- ~~serve their own minds and consciences~~. There they are sovereign American citizens. There on November third they will not fear to exercise that sovereignty.

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