

## Comments on the House Debate on the Sixteenth Amendment

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A previous essay (12 Feb 2023) contained the full House debate on the Sixteenth Amendment from 12 Jul 1909. I have included here a few comments on the debate, mostly pointing out the main arguments and rhetorical themes made by both sides. The page numbers in bold refer to the original numbering in the Congressional Record, as shown in the previous essay.

There are a few items to keep in mind regarding Constitutional amendments:

- a. An amendment can be proposed by Congress, and can specify whether it is to be ratified by the State legislatures, or by conventions called in each State for the sole purpose of debating the amendment.
- b. Constitutional amendments require ratification by three-fourths of the States before it becomes part of the Constitution. In 1909, there were 46 States, thus 35 were required for ratification. But, New Mexico and Arizona were expected to join the Union (which they did in 1912), and three-fourths amounts to a requirement for 36 States to ratify the amendment.

Here is a summary of the arguments made in the House on 12 Jul 1909 regarding the Amendment to permit an income tax (16th Amendment). They are divided into several categories as shown.

### 1 How the two parties viewed the problem

- a. The Democrats' economic argument was that tariffs increase the costs of imports; this protects domestic producers; but the domestic producers raise their prices to match that of imports; thus the consumer pays more than he should and the poor get robbed by the trusts and corporations (**pp. 4398, 4421, 4422, 4424, 4430, 4431, 4432**)
- b. The Democrats believed the income tax is necessary so the wealthy will "pay their fair share" (**pp. 4394, 4395, 4396, 4408; 4409, 4410, 4416**)
- c. The Democrats' view was that a tax on income is the least burdensome means of taxing wealth (**p. 4430**)
- d. The Republicans believe that an income tax is acceptable in time of war, but expenses should be reduced such that the normal customs duties and internal revenue provide the necessary revenue (**p. 4393**)
- e. The Republican view is that corporations pay most of the taxes in the rich States (**p. 4394**)
- f. Former President Theodore Roosevelt (Republican) had wanted an income tax to correct the "swollen fortunes" (**p. 4396**)
- g. Former President Theodore Roosevelt had favored a graduated income tax (**p. 4434**)
- h. President Taft's view on purpose of tariffs (**p. 4415**)

### 2 Classic Democratic Party rhetoric

- a. The general demonization of Republicans; Democrats are always right about everything (**p. 4404**)
- b. The Democratic party is "the Democracy" (**pp. 4396; 4411, 4412; 4414, 4424, 4427**)
- c. Democrats blame the Republicans for the Panic of 1907 (**p. 4420**)
- d. That under the tariff system, people in poor States pay more proportionately than people in rich States; the rich States can afford to pay more and should (**p. 4392**)
- e. The Democrats were concerned that the Republicans were going along with proposing an amendment for an income tax because they would use their influence in 12 States to defeat it (**pp. 4392, 3298, 4400, 4401, 4409, 4410, 4411, 4416, 4418, 4424, 4427, 4428, 4429, 4433, 4436, and 4437**)
- f. The corporation tax was introduced by Republicans as a way to defeat the income tax (**p. 4401; 4436, 4437**)

### 3 Good old class warfare

- a. That the tariff is so high that makes the trusts more powerful, creates deficits, and squeezes the small businessman (p. 4434)
- b. That the rich get richer & poor get poorer without an income tax (p. 4426)
- c. That the income tax only affects "idle wealth" (pp. 4417, 4419, 4420, 4433)
- d. An income tax had been the objective of the Democrats since 1894; they accused the Republicans who opposed the income tax of protecting the rich and robbing the poor; wealthy states like Connecticut unfairly benefit from the tariff; the rich get richer from the tariff because they avoid taxation (pp. 4392, 4396, 4421, 4426; 4433, and 4437)

### 4 Historical insights

- a. The ratification of the 14th Amendment and time to ratify amendments (p. 4400)
- b. Comments on history of Constitutional amendments (pp. 4403 ff, 4407)
- c. That the first 10 Amendments are actually part of the original Constitution (p. 4407)
- d. On the issue of ratification of amendments by legislatures vs. conventions (p. 4411)
- e. Comments on the separation of powers (p. 4402)
- f. Comment on resistance to unconstitutional laws (p. 4402)
- g. William Jennings Bryan quoted Jefferson: people can criticize government officials (pp. 4397; 4412)
- h. On the decline of States rights by the civil war & administration (p. 4417)
- i. That the States are looking to the federal government to fund things they should do for themselves (p. 4431)
- j. The problem of increasing government expenses (partly due to foreign acquisitions) (pp. 4417, 4420, 4421, 4422; 4427)
- k. Hamilton's view that income taxes were indirect (per the Hylton case) (p. 4408)
- l. The Democrats claimed that income taxes had always been permitted, and demonize the Pollock decision (pp. 4394, 4396 (quoting Roosevelt), 4397 (quoting Taft in 1907), 4398)
- m. On the history of income tax laws; that the income tax is the same as a carriage tax (i.e., indirect, and therefore not subject to apportionment) (pp. 4413, 4414)
- n. The income tax is permitted by the Constitution because they are not direct taxes (p. 4408)
- o. That the Supreme Court made a mistake in the Pollock decision, and the new court, with new members might reverse itself; so the income tax could be added to the tariff bill (pp. 4393, 4436)
- p. The income tax in 1864 was 3% over \$600 and less than \$10,000; and 5% on income above \$10,000 (p. 4433)
- q. That Congress has a "right" to impose an income tax (pp. 3294, 4401, 4402)
- r. The nation must now pay the piper since it has spent beyond its means; appropriations exceed the revenue from customs duties (pp. 4399, 4412)
- s. The fraction spent on war is 72% vs. regular operations, which is why the income tax is necessary (p. 4414)
- t. That government expenditures have increased due to a surplus generated by the tariff (p. 4430)
- u. A comment about Panic of 1894 (p. 4405)
- v. The corporations have become too powerful politically (p. 4435)
- w. That 4,000 people own 85% of the wealth; that 51 people own \$4,000,000,000 (1/35th of the wealth of the nation) (p. 4434)
- x. Taft had endorsed an inheritance tax if the change in tariff did not meet expenses; no talk of reducing expenses; thus the income tax is necessary; extravagant expenses in government (pp. 3295, 4398, 4417, 4437)
- y. A comment on the various "trusts" (p. 4432)
- z. That the people are not prejudiced against corporations; only against the trusts (p. 4437)

### 5 Incorrect economic views

- a. That the government is the source of wealth (p. 4398)

- b. That the advantage of a direct tax (on income) is that people know how much is due, whereas indirect taxes (tariffs) are hidden and unknown to the payer (**pp. 4420, 4421, 4430**)
- c. That tariff charges automatically lead to increased domestic prices (**p. 4416**)
- d. The advocates of an income tax seem to be confused as to the difference between a tax on income and a tax on wealth; they seem to equate the two (but one got it right) (**pp. 4394, 4412, 4415, 4416**)
- e. Some advocates of the income do not seem to understand the ownership of wealth vs. control of wealth (**p. 4398**)
- f. That the tariff system is a form of robbery, making some millionaires by taxing the poor (**p. 4421**)
- g. That under the tariff system, the rich only pay on \$1 of \$30, but the poor pay on every dollar (**p. 4434**)

## **6 Correct economic views**

- a. That all taxes are upon industry or wealth (**p. 4406**)
- b. The income tax will only work if tariffs are reduced (**p. 4417**)
- c. That a corporation tax is paid by the people (**pp. 4412, 4422**)
- d. That governments want money and power (**p. 4422**)
- e. That all taxes are taxes on thrift and are based on an inquisition (**pp. 4422, 4423, 4437**)
- f. That the risk of an income tax is that the federal government will become too powerful (**p. 4437**)
- g. The principle that lower tax rates lead to greater revenue (**p. 4417**)
- h. Statement by Republicans about prosperity during the previous 12 years (**p. 4405**)
- i. An income tax with exemptions may create a class of non-taxpayers (**pp. 4414, 4415**)
- j. The comment on a 2% tax on the income of corporations vs. 0.25% excise on interstate transportation gross receipts (**pp. 4406, 4423**)
- k. McCall's common-sense observation that a peace-time income tax will be used for social control and a transfer of power to Washington (**p. 4391**)

## **7 Claims that have been proven laughable by experience**

- a. That the people are in favor of an income tax, including in European countries (**pp. 4392, 4422, 4426, 4427; 4437**)
- b. That those who would pay the income tax "would barely miss it" (**p. 4420**)
- c. That an income tax will lead to restraint on government spending and better accountability (**pp. 4427, 4430**)
- d. That income taxes will become popular (**p. 4428**)
- e. That a tariff means the people have to accept that wealth comes from taxation; i.e., a tax on income is not a tax on people (**pp. 4426, 4427, 4436**)
- f. That the Democrats would expand the free list & lower tariffs if there was an income tax by which the rich paid their fair share (**p. 4437**)
- g. That an income tax will be a net reduction in taxes levied on the people (**p. 4430**)
- h. That the Senate is controlled by millionaires (38), and the cure is to elect by the people. (**p. 4435**)

## **8 Observations on the tariff vs. income taxes**

- a. The debate on the \$5,000 income tax exemption (**pp. 4393, 4400**); that the exemption would be fixed "for the public good" (**p. 4393**)
- b. The tax burden on clothing under the tariff system = \$200,000,000 (**p. 4426**)  
The new tariff bill will amount to \$120,000,000 tax on clothing and will gain \$100,000,000 for the wool manufacturers above a normal profit, and \$90,000,000 more for the cotton manufacturers. The sugar trust will rob \$55,000,000 annually. (**p. 4435**)
- c. Regarding taxes on corporations vs. taxes on non-incorporated businesses (**pp. 4399 4437**)
- d. That the corporation tax would alter the relation between states & federal government (**p. 4395**)

Regarding the claims on the tariff burden, the values mentions should be expressed as an average per-capita expense. The population in 1909 was approximately 90,000,000

- a. If it is true that the tax burden on clothing under the tariff system comes to \$200,000,000, then the per-capita burden is \$2.22.

- b. If it is true that the tax burden on clothing under the tariff system comes to \$120,000,000, then the per-capita burden is \$1.33.
- c. If it is true that the tax burden on sugar under the tariff system comes to \$55,000,000, then the per-capita burden is \$0.61.

The median income for skilled workers in 1909 was \$15.48 per week; for unskilled, was \$10.68 [1]. The median annual income for these groups came to \$805 and \$555 respectively. If the median family size was about 4 (it was 2.89 in the period from 1929 to 1943 [2]), then the annual burden from the tariff due to clothing and sugar was  $4(\$2.22) + 4(\$0.61) = \$11.32$ , which equates to 1.4% of the skilled workers income and 2.0% of the unskilled workers pay.

## References

1. Edward D. Duvall, *The Control and Manipulation of Money*, Queen Creek AZ: Fremont Valley Books, 2022, p. 180. Available for free download at: <https://fremontvalleybooks.com>
2. *ibid.*, p. 183