

October 11, 1942

Good Morning, Friends:

The Senate, meeting early and remaining late, ^{has} put in a hard weeks work on the tax bill. This bill passed the House many weeks ago, but fortunately it is ^{now} nearing the time when the President can make it law by attaching his signature.

The Senate voted to place a 5% victory tax on individual ~~gross~~ incomes over \$12 a week. This is going further down the ~~tax~~ scale and at a higher rate than has ever before been proposed. The Administration is opposed to this particular measure. It was not in the House bill and, therefore, the House would have to accept it before it ^{can stay in the bill.} ~~would become law.~~

One of the faults of our system of income taxes is that you pay taxes ^{next} ~~this~~ year on your income ^{this} ~~last~~ year. As long as a taxpayer continues to make approximately as much money as he did during the previous year, he can make adjustments without such a hardship. But take a man, for instance, who has made \$10,000 this year. His tax will be ^{in the neighborhood of} ~~something from~~ \$2500 to \$3,000, which he will have to pay next year. But suppose some misfortune hits him and he does not make ~~that much~~ money next year. How is he to meet his taxes?

Our tax structure should be such that a man would pay upon his income as he receives it, or as nearly so as possible.

Secretary Morgenthau announced during the week that as soon as this Tax Bill, the biggest in history, is enacted, he will ask Congress to begin work on another tax bill to be placed on top of this one. During debate in the Senate this week, Senator George, Chairman of the Senate Finance Committee, ^{counting Local Taxes} said that ^{one-third} of the nation's income would be paid in taxes. This

bill will bring the Federal tax load up to 25 billion dollars. But that is not enough. ^{huge as it is.} In fact, we will spend more than three times that amount during the present fiscal year.

There is violent objection to lowering the base of income taxes. But certain figures, indisputable figures, stare us in the face. For instance, if we took from every person every penny of net income of more than \$5,000 per year, it would not be enough to pay the war bill for 50 days. So it appears that the tax bill will ^{have to} reach down into the pockets of people who have never before paid income taxes to the Federal government.

The appointment of Justice Byrnes as Director of Economic Stabilization promises to clear the Washington picture somewhat. The President as Commander-in-Chief of the army and navy is called upon to make decisions affecting the fortunes of the war. And his time should not be monopolized with troublesome problems here at home. Decisions on military policy can not be made by Congress. It would be absurd to think or argue, for instance, that Congress should pass a bill requiring the army and navy to take Daikar or to open a second front in Europe this fall. Such decisions are clearly the responsibility of the Commander-in-Chief, with the advice of his army and navy experts, and any irresponsible babbling or public prodding on this question may spill unnecessary amounts of American blood. The President needs to have more time to devote to the strategy of the war. It's a deadly war. ^{He is the commander.} We must depend upon his leadership. We are depending upon his leadership, not only we in the United States

but all of the allied nations are looking to Franklin Roosevelt for guidance and for command. The appointment of Justice Byrnes promises to give him much relief from pressing and troublesome internal problems. If it turns out as well as it has been planned, Justice Byrnes will well nigh have the ~~xxxx~~ roll of Assistant President for the home front. For a long time the President was worried over the production program. Of course, he still has worries about this, but his worries were considerably lessened and many problems were solved by the appointment of Donald Nelson as Head of the War Production Program, with authority and direction to see that the job was done and done expeditiously. The three big men in the war program now are the President, Justice Byrnes, and Mr. Nelson. ~~Another position~~

Another position of ~~xxx~~ rank comparable to Messrs. Nelson and Byrnes may be created to handle the Manpower program. One beneficial ^{by-product} ~~result~~ of the price control fight was that the attention of the nation was called to a pressing problem of farm labor. The government is now studying and analyzing the problem of manpower not only for the farms, but for the factories, industry, and armed forces. We can not produce more food than ever before, more war material than ever before, and have more men in the army and navy than ever

before without creating shortages - shortages in every walk of life. The Nation does not now have enough doctors, there is a scarcity in school teachers, in mechanics, in farm workers, in factory workers. The government calls for larger food production. *this means more people needed on the farms.* The war and navy say give us more planes, more guns, more tanks. This calls for the employment of more and more people in our war plants. The belching furnaces call for more coal, lead and iron to be mined from the ground which, in turn, calls for more men there. Then, the army and navy say give us more and more men. All of this caused Donald Nelson to say this week that the army and navy must decide just how many men must be drafted. This is not a problem for laymen to decide, but even a layman can be forgiven for ~~analyzing~~ analyzing the general situation.

The United States is the arsenal for democracy. Russia and China have plenty of men, but they are looking to us for equipment with which to make of them modern armies, to fight on equal terms with a strong enemy, which is armed to ^{the death.} ~~a "T"~~. The free world is looking to the United States not only to manufacture this needed equipment but to deliver it. Delivery requires ships and ships and ships and more ships. So, we can ^{not} put everybody in the army and, at the same time, produce and deliver food and equipment for our world allies. I am not undertaking to say what size the army should be, but obviously, Mr. Nelson is ~~w~~ right when he says that there is a limit.

More and more of the nation's women are going to work in the vactories and in the field.

Just this week, Congress passed another huge appropriation bill for more ships and more guns and more and more clothing, more and more of many things.

Hearts have been lifted by the weeks news from the battle fronts. There is a very definite feeling here that the awful German wave has reached the high water mark. And some officials think they can see the day, distant though it yet appears, when retributive justice can be meted out to those who have offended every law of man and God.