

February 7, 1943
Radio Talk, WSM

Good Morning, Friends:

The three most important events of the week have been: (1) The Russia victories over Hitler's armies, including the complete capitulation of the Nazi Stalingrad forces; (2) Churchill's visit and conference with the leaders of Turkey and perhaps of other countries; and (3) recurring naval action in the Pacific.

I do not know enough about the first two to give you an intelligent commentary, and what little I know about the third is highly confidential. In this connection, I ~~am permitted to say~~ it is permissible to say that I spent two hours day before yesterday with General Vandergriff, who has just returned by plane from Guadalcanal. General Vandergriff commanded the Marines from the time they landed on Guadalcanal until ^{the marines} ~~they~~ were recently relieved by forces of the army. He has been decorated with the Navy Cross, and President Roosevelt just a few days ago pinned upon him the Congressional Medal of Honor. He has a great story to tell of how these American boys added a glittering chapter to the glorious history of America's armed forces. *I wish all of you could talk to him.* ~~Be~~

Because the major news events of the world happened outside Washington this week does not mean that our nation's capital has been without drama and development. On the contrary, this has been a busy week in Washington. After taking considerable time ~~and~~ for organization of committees, ironing out procedure and other necessary preliminaries, Congress got down to hard work during the week. The House passed its first important bill of the year, which provided for floating docks for the navy. When war broke out in the Pacific, the only dry

docks capable of making repairs to capital ships in the entire Pacific area outside of the coastal United States were at Hawaii and Singapore. The Japs took Singapore, which left us without large docking facilities in a tremendous area of operations. This situation has been improved somewhat, though just what has been done is of a confidential nature and must be ~~zealously~~ zealously guarded as a secret, lest the Japs learn of ^{our} installations. The bill which we passed this week provides for floating docks. These may be used in one place and then moved to another. Some of them might be used, for instance, along the African coast and some of them ^{who knows, later} may be taken to the Philippines. Old Tojo may be sure that ^{in various} war will be ~~coming~~ ^{come nearer} closer and closer to the Islands of Japan.

The Congressional Tax Committee started to work on the so-called Pay-as-you-go tax plan. It could be more accurately described as a Pay-as-you-make tax plan. Letters reaching Washington indicate a widespread misunderstanding of just what is proposed. Here is the situation which Congress is undertaking to remedy. Let us take an example. Mr. Smith made ^{some} ~~a little~~ money last year. His income tax on his last year's earnings amounts to \$500. This will be due on March 15. Now Mr. Smith doesn't deny that he made money last year, but the thing he's up against is that he has spent the money or ^{used it in} paid debts. In any event, he doesn't have the \$500. Of course, he will have to get it, one way or another, or ~~he~~ be sued by the government. Now, if Mr. Smith continues to make good money this year, he can meet his payments, but he

says it would be much easier for him if ^{the} government would just take out of each pay check the amount of taxes which he is going to have to pay. "Then" Mr. Smith, says ^Q ~~that~~ what money ~~he~~ receives ^{his} would be ~~his~~ and the government would already have its share of ^{my} ~~his~~ income. "The real hardship comes on the fellow who made good money last year but who, because of illness or because of losing his job, or some other reason, ~~just~~ will not make very much this year. For instance, I have a friend who earned good money last year. He lost his job last month and he has been unable, thus far, to earn more than a meagre living. He used all he could save from last year ^{earnings} in trying to get his debts paid. Now he faces a lean prospect for this year. In fact, he tells me that he ^{will} ~~may~~ not be able to earn enough money ^{this year} to pay ~~the~~ ^{the} taxes which he ~~will~~ owe ^S on last year's income. Nevertheless, he faces the necessity of living expenses for himself and his family. This man says he wishes the government had collected the taxes on his last year's income at the time he made the money.

On the other hand, let's ^{look} ~~let~~ at the government's side of the question. Several million people who have never paid income taxes before are required to pay income ~~tax~~ tax now. Many of them are wage earners who spend their money, more or less, as they receive it, whether the wages are high or low. These wage earners owe their taxes on last year's income. If they do not pay it,

the government has little opportunity of collecting it except out of their wages. Many ^{of these} people have not accumulated property and, therefore, it would do the government little good to bring suit for the collection of the taxes. It is ^{therefore} very much to the government's advantage to have the ~~tax~~ collected at the source, that is, taken out of the pay check at the time the money is ^{earned} ~~made~~.

These circumstances, which I have outlined in a very brief and simple manner, gave rise to a move to put the tax structure on a pay-as-you-go basis, or, as I said before, it could be better described by the slogan "pay-as-you-earn." The difficulty which Congress faces in placing its tax structure on such a current basis is that most all of the people are trying to pay last year's taxes out of this year's income, and it is wholly impossible for many, many of them to pay ^{both} ~~taxes~~ on last year's ^{income} ~~income~~ and this year's ^{income} ~~income~~ ^{taken out} ~~during~~ ^{what they make this year.} ~~the same year.~~

Mr. Beardsley Ruml of New York suggested a plan, which has become known as the Ruml plan. Simply stated, Mr. Ruml suggests that the government just forgive last year's taxes and start collecting taxes on this year's income now. He says that the government would continue to get the same amount of money and that it really would not make any difference, so far as the government is concerned, whether the money was paid on last year's income or on this year's income, so long as the government receives the same amount. Now this sounds good at first blush, at any rate, and letters have been pouring into Washington urging Congress to enact the Ruml tax plan. So Mr. Ruml was

called down before the committee ~~during the week~~, last Thursday, I believe it was. The committee proceeded to dispose of Mr. Ruml's plan rather speedily. The glaring inequity of forgiving the tax on last year's income is that many people, such, for instance, as men with cost-plus war contracts or war contracts with fixed fees made enormous profits last year. It just would not be right to charge them no taxes on that tremendous ~~amount~~ ~~and~~ and, in the cases cited, seemingly wholly unjustified profits. Let us look ~~at another~~ at it another way. If we forgive Mr. Smith of his \$500 income tax, we would be forgiving another man \$5,000, or maybe another man \$5.00. There is just no equality of treatment in this sort of thing. The government would be forgiving the payment of taxes which people owe on money earned last year in the amount of several billion dollars. Obviously, this must not be done. On the other hand, it is imperative that the income taxes be put on a current basis, ^{as rapidly as practicable} so that people can pay the taxes as they make their money. I do not see, however, how this can be accomplished over night. We will be hearing much more about this. The Congressional tax committee is now giving it careful study. They are capable men. Many of them are experts on the question of taxation. I hope to have one of them discuss the problem for you on one of these broadcasts, ~~in the next two or three weeks.~~

The fight between Mr. Jeffers and the Army and Navy over priority on materials has finally been aired before a Congressional Committee. Mr. Jeffers, a bombastic president of a railroad, who has been accustomed to giving orders and having them implicitly obeyed has made quite a show of himself because he couldn't get all of the material which he said was necessary to produce enough synthetic rubber.

The Army and Navy on the other hand says that all the materials Mr. Jeffers wants cannot be spared because they are direly needed to manufacture high octane gas for fighting planes and to make naval escort vessels to fight the German submarines which are taking a terrific toll of our ships. In this connection the amount of damage which the submarines are doing to our war effort cannot be made public. You may be assured that it is one of our greatest problems. In fact, the *problem* of transportation ~~problem~~ is perhaps our greatest over-all difficulty.

Before the Committee, Mr. Jeffers said that we couldn't take this country off rubber. Under Secretary Patterson said that the War Department had proposed to Mr. Jeffers that the Government drastically slash civilian use of rubber to the point of taking over 7 million passenger cars and taking everybody's spare tire, as well as eliminate all long distance truck and bus operation.

Though this controversy ~~is~~ between government officials was aired before a Congressional Committee, it has already been settled by Mr.

Jas. F. Byrns who, as I have said before, is really the assistant president on the home front. He didn't give ~~either~~ the Army and Navy or Mr. Jeffers all that they ~~wanted~~ asked for. He allowed Mr. Jeffers enough material to proceed with some 40 per cent of his program. With that Mr. Jeffers must be satisfied.

Of course, all of us want to keep our automobiles, and want to keep tires on them, and gasoline with which to operate. If, however, it comes to the point of deciding between tires and gasoline for us home-folks who are yet a long way from the fighting, or for those who are doing the fighting, then the answer of America cannot be in doubt.

The man power problem
is daily becoming more
vexing. Former president
Hoover had his say
on the subject before
a senate committee.
The senate agriculture
committee is soon
to start a study of
the food ^{man power} outlook.

General Marshall ^{spoke}
~~met~~ ^{in closed conference} with a small group
~~members of the Senate~~
of senators and representatives,
in which I was included,
and ^{for more than 2 hours} discussed the army's
need for ^{more} men and the
^{general} war outlook. ~~for more than 2 hours.~~

To me the outlook is
much better, but at
best dreadful.