

WSM, OCTOBER 10, 1943

Good Morning, Friends:

The fight on a new tax bill began when Secretary Morgenthau appeared before the House Ways and Means Committee and recommended a drastic increase in taxes. He had a very cool reception.

(paragraph)

A part of the increase in taxes would be refundable after the war. ~~Taxes~~
Refundable Taxes is, therefore, the Administration's name for compulsory savings. One of the amusing sidelight during my service in Washington has been to watch how the Administration selects a good sounding names for its programs. Take this case, for instance. A lot of people have been advocating compulsory savings or forced savings. They meant by this that because there was so much more money to spend than there were goods to buy, that we should pass a law to require people to put their money into government bonds during the war to close this gap between spending money and goods which could be bought, and at the same time this money could be released to the people after the war when a lot of people are going to need some money to spend. Now the Administration comes along and finally endorses this principle. But do they call it compulsory savings or forced savings? No, they select a much nicer sounding term - refundable taxes. Of course, taxes are not going to sound so good to people, but refundable sounds very nice.

The Secretary of the Treasury says that during the current fiscal year the people of the country will have an income of 152 billion dollars, and that there will be only about 21 billion dollars paid in taxes and only 89 billion dollars in goods which can be purchased. Thus, there is a tremendous gap of 42 billion dollars in what he calls excess spending money. In the face of these facts, an increase in taxes seems very necessary. An adequate fiscal program is a very necessary weapon against inflation. But what is of more importance - we've got to have more money to pay for this war. Every time the government sells a war bond, it means that those who are doing the fighting will have to help repay that bond after they get back. I know it's going to be hard for people to pay more taxes, but the sacrifice which this will entail still doesn't compare with the sacrifice of those who are doing the fighting. Of course, there is a breaking point - there is a point beyond which taxes can not be levied because the National economy just will not carry the load. But with a national income of 152 billion dollars and a tax payment of only 21 billion dollars, it's clear to see that we have not reached that point yet. A lot has been said about pay-as-we go. Well, so far, we haven't half way ~~paid~~ been paying as we go. The revenue from present taxes will be less than one-third of our estimated expenditures. Someone said let's pay as we fight. Perhaps for those of us at home, it would be best to say "let's pay as they fight."

I have never agreed with Secretary Morgenthau's idea of financing the war. I come much nearer agreeing with his tax program than I do with his bond selling methods. For instance, during the Third War Loan Drive which has just been concluded, he used movie stars, Mickey Mouse, radio and advertising to ballyhoo the program and to flatter the people into thinking that they were making a great sacrifice for the war by buying bonds. In fact, they almost succeeded in placing bond buying on the same plain as front-line fighting. Now, of course, many people did a fine, patriotic thing. By this I do not mean that bond buying is not patriotic. It is, and all of us should do the most that we can. But it is ridiculous to claim that it is a great sacrifice. After all, a government bond is a perfectly sound investment and pays a fairly lucrative rate of interest, and besides that can be cashed in any day at the post office. So, where is the great sacrifice? It's patriotic - yes, but good business, too. It's hard for me to see why the government should pay anything more than a very minimum rate of interest for the use of money necessary for the war. The bonds which are now being sold are good, profitable investments, war or no war. Of course, I know some one is going to write me that I am advocating drafting of money, and if they do, I'll politely write you back that we are now drafting fathers.

The United States Senate refused to pass Senator Wheeler's bill to postpone the drafting of fathers. To cushion family hardships, the Senate did pass a bill to raise the allowance for the first child of each enlisted man

from \$12 to \$30 and provided that there be a payment of \$20 for each additional child. This bill, if finally signed by the President, means that if a father who has three children is drafted, his family will draw as follows: \$50 per month for the wife; \$30 for the first child, and \$20 apiece for the next two, which means that the wife and three children would draw \$120 per month. The Senate also voted for a reexamination of those who are occupationally deferred, and they also wrote into the bill that, insofar as practicable, all eligible non-fathers be called before the fathers.

On Thursday, the Senate held a secret session to receive a report from the five senators who have travelled around the world and visited the various battlefronts. I have talked to the Senators and they have some interesting experiences to relate and some challenging facts to report. They give a most encouraging and glowing report on our army and navy - upon its leadership, its organization and the morale of the fighting men. They seem disturbed over some things. For instance, they say we have inadequate representation of a civilian nature. They say that Great Britain is splendidly represented. For instance, in North Africa, one of the Senators pointed out to me that the British have a man of cabinet rank with a large staff to represent them. Whereas we have Robert Murphy, whom some people consider no intellectual or diplomatic giant, and only a small contingent. The Senators say, too, that the news in many parts of the world is given a British slant, and that we do not get a fair

break. I was fearful that because of these impressions obtained by the Senators they might use it to fan an anti-british feeling in our country, but the ones I have talked to have taken a very big attitude. They say more power to Great Britain for having done a good job. What we need to do is an equal or better job. Of course, one indication of why the Senators were so impressed with the world-wide activity of the British people can be found in the fact that out of the 25 or 30 times they landed, 20 of these landings places were in the British ~~Empire~~ Empire on which the sun never sets.

And about the news, there is this situation. The Reuters News Agency is a British concern, and it has communication lines all over the empire and into many places, particularly in the Middle East, which is not empire territory.

Last week, the Senators indicated that they thought Great Britain should be furnishing more oil from their oil wells in the Middle East. President Roosevelt made a very satisfactory explanation of this a few days ago. In fact, it now appears that the Senators reports will not do any material damage to our relations with Great Britain but that it may spur us to a greater effort in this field. If that be the case, then their trip may prove well worth while.

The battle of subsidies on food commodities is still raging. And it seems ~~tex~~ that no holds are barred. This matter will come to a head very soon now when the bill to extend the life of the Commodity Credit Corporation comes before Congress. Washington was encouraged to learn that the navy had launched an attack against Wake Island. This little island was the scene of a historic resistance by a little band of Americans. The United States now have a very large concentration of naval forces in the Pacific. The Japs are being pushed father and farther back all the time. But they must be pushed a very long way yet.