

● PSF Treasury Department: Henry M. Morgenthau, Jr. Editorial Opinion Reports

April 25, 1941 - July 24, 1941

Box 99

The Secretary of the Treasury

Morgenthau Files
1-41

For your information.

April 25, 1941.

To Secretary Morgenthau
From Alan Barth

*file
personal*

THE DEMAND FOR LEADERSHIP

Counterattack

This has been the isolationists' week. As expected, they cited the Greco-British defeat as proof that war against the Axis is futile. Colonel Lindbergh, echoed by Senators Wheeler, Walsh and Nye, proclaimed that "it is now obvious that England is losing the war" and that "we cannot win this war for England."

It seems improbable, judging from a study of newspaper response to their arguments, that they have appreciably deflected the current of American thinking. The only notable convert to their point of view during the past week was Dr. Felix Morley. Writing in The Wall Street Journal, he reasoned that a complete victory is impossible for either side and that therefore the United States should negotiate a peace recognizing German supremacy on the Continent of Europe.

It is a point of view ill-attuned to the national psychology; to tell Americans that they can't win a scrap

is almost a way of daring them to have a try at it. The latest Gallup poll shows clearly that the public does not accept the basic isolationist premise. Asked prior to the Balkan invasion which side will win the war, 78 per cent picked Britain, while only 4 per cent believed in an Axis victory. In response to the same question after the Balkan campaign was under way, the division shifted to 57 per cent for Britain, 11 per cent for the Axis, with a considerable jump in the percentage of those undecided. The popular conviction that the Axis can be beaten with American assistance was reflected in an earlier Gallup poll revealing that 71 per cent of the public favors convoying by the United States Navy, if necessary to ensure victory.

Editorial reaction to the isolationist appeals of the past week has been overwhelmingly hostile. Editorial writers, columnists and radio commentators in general, have manifested a sense of obligation to check defeatist sentiment. Without denying the gravity of the setback in Greece, they have pointed out consistently that it is not decisive as to the outcome of the war. A great deal of indignation has been expressed, not only over Lindbergh's reasoning, but also

over the delivery of his speeches at a time when it was felt that American morale ought to be sustained.

In reporting Lindbergh's New York speech, newspapers made rather prominent mention of the noisy presence in his audience of Bundists and Christian Mobilizers. No doubt this was calculated further to alienate the affections of the mass of Americans from the isolationist position.

Messrs. Lindbergh, Wheeler and Nye have come in for rather rough handling in many newspapers. Their minority position is no longer accorded the tolerance it enjoyed during the period when the Lend-Lease law was under debate. Feeling has become so inflamed, in fact, that the objectivity which is supposed to characterize the news columns of American papers is sometimes conspicuously lacking in accounts dealing with the activities of the America First Committee and other organizations opposed to the Government's foreign policy. It is perhaps worth noting, however, that the double-barrelled indictment of all of the foreign policy opponents of the Administration delivered not long ago by Secretary of the Interior Ickes met with almost universal editorial disapproval.

Skepticism

While there has been little growth of defeatism as to the ultimate destruction of the Axis, newspapers have shown decided discouragement concerning the immediate prospects for the British. There is a widespread feeling among commentators that they have been deluded -- or have deluded themselves -- with false hopes. They no longer cheer themselves with thoughts that Italy may collapse, that the Russians may enter the war against Germany, that conflict on a second front may exhaust Nazi resources. On the contrary, they now foresee complete German victory in the Mediterranean and a likelihood that Spain, France and Turkey will soon join the Axis forces. Indeed, this gloomy "realism" leads the commentators to discount or doubt even the more heartening reports from abroad.

It has also, in some measure, shaken complacency over the progress of rearmament at home. There is considerable discontent with the pace and scope of American production. The renewed demand for a curb on strikes is perhaps an outgrowth of a general sense of frustration. The one great fear that obsesses commentators everywhere is that America's

contribution to the defeat of Hitlerism may be "too little and too late."

Direction

Such doubts and fears appear to have produced a treadmill quality of mind, a loss of that feeling of direction which animated the American public immediately after passage of the Lend-Lease law. There is a depressing awareness of danger, but no clear comprehension of its nature or of the steps which must be taken to combat it.

The thought which has dominated newspaper editorials of the past week is that the nation now wants and needs a strong, affirmative statement of purpose by its President. A great majority of the commentators agree that the public is ready to be told the facts, however harsh and disagreeable they may be; ready also to be told what must be done, however great the dangers of the course proposed. The plea is for leadership.

For your information.

May 2, 1941.

To Secretary Morgenthau

From Alan Barth

AMERICAN MORALE

Mood

Press and radio reveal disturbing symptoms of a degenerating national morale. They continue, editorially, to combat defeatism. But they are manifestly suffering from fear -- fear that apathy, confusion and timidity will so inhibit American action as to make it belated and inadequate. The sense of purpose and direction which animated them not long ago has dwindled.

The isolationist thesis that the Axis is invincible, or already victorious, has made scant headway. Only a small minority appears to doubt that American strength, fully, promptly and effectively exerted, could fail to turn the tide against aggression. The fear is not of Nazi military prowess, but of American inertia.

Criticism

For the first time since enactment of the Lend-Lease law a considerable body of editorial opinion is sharply critical of the President in his conduct of foreign affairs. It is noteworthy that this criticism comes in large part

from newspapers which supported the Lend-Lease law and which are eager for more vigorous aid to Britain. The complaints voiced most frequently fall into three categories:

1. A great many newspapers express agreement with a recent observation by the President that the American public is not sufficiently aware of the national danger. They are prone, however, to blame this condition on the President himself. It is commonly asserted that Mr. Roosevelt has failed to impress upon the people a baldly realistic picture of what must be done to prevent a Hitler victory. This alleged failure is often ascribed to a mistaken lack of confidence in the people's capacity to understand and readiness to respond. Numerous commentators urge the President to mould and lead public opinion, rather than to follow it.

2. Considerable resentment has been expressed over what the editorial writers term the President's "jocose" or "evasive" responses to press conference queries on items of foreign policy. They cite such remarks as his horse and cow analogy concerning patrols and convoys, his dismissal of the convoy debaters as not knowing "a hill of beans" about the subject and his observation that he doesn't live at Delphi.

3. There has been rather unfavorable press reaction to the President's verbal castigation of ex-Colonel Lindbergh. Papers which themselves dealt harshly with the aviator apparently felt constrained to defend his right to express an unpopular point of view. It is argued that presidential indulgence in personalities diminishes national unity. Rather curiously, some southern papers objected to the President's application of the term "copperhead" to Lindbergh on the ground that it was offensive to the South.

In general, the editorial criticism of President Roosevelt may be said to indicate tension and impatience, rather than hostility. It appears to stem from the sense of uncertainty in which the commentators plainly feel that they are enveloped.

Confusion

The speeches made by Secretaries Hull and Knox were widely applauded. Their assertions that the United States must see to it that the weapons forged here are delivered into British hands were generally interpreted as pointing to more vigorous implementation of the Lend-Lease policy and specifically to convoys. But the approval was tempered by complaints that the Secretaries skirted this controversial term, failing to define the means of delivery.

The term "convoy" has come, for reasons which are somewhat obscure, to be a symbol in the editorial, and no doubt also in the public, mind. Without much regard for the tactical considerations which may affect its feasibility, convoying is now regarded more and more widely as an essential to all-out aid for Britain. And, conversely, there is a tendency to consider any step other than convoying as a half-measure.

Announcement of the extension of Atlantic patrols has been greeted, therefore, by the more vigorous aid-to-Britain advocates as "half-convoying," as a makeshift or a euphemistic substitute for all-out assistance. There has been general approval of the patrols; but there does not appear to be any great faith in them as the means of winning the Battle of the Atlantic. Until the nature of this battle and the elements of naval strategy involved are explained to the public, this view of convoys as the unique solution seems likely to persist.

Increasingly, the public and the press are accepting the thesis that the winning of the Battle of the Atlantic is indispensable to American security. With the growth of this conviction, the overwhelming demand is for action. It is inaction that is feared most of all. The more dramatic the action, the more likely it will be to regenerate morale and recreate the national sense of purpose and direction.

For your information.

May 9, 1941.

To Secretary Morgenthau
From Alan Barth

*File
personal*

THE PRICE OF SECURITY

Shift

The impact of events abroad has produced a mass migration in American opinion. It is not only that individuals and groups have shifted in relation to one another; the whole body of opinion has moved, so that the foreign policy issue is now viewed in a quite new atmosphere.

The old definitions no longer obtain. Today's isolationist follows the precepts of yesterday's interventionist. He favors ineffectual intervention. So intransigent an opponent of the Lend-Lease law as The Chicago Tribune, for example, recently suggested, as a preferable alternative to convoys or patrols, American delivery of goods to Iceland for transfer there to British vessels. At the same time, those who not long ago were labeled interventionists because they endorsed aid to Britain as a means of avoiding war for the United States, have moved forward to a demand for convoys; some, indeed, no longer shrink from shooting.

In respect to the great bulk of the public, never properly identifiable as isolationist or interventionist, the shift appears to have been one of emphasis: from an insistence that Hitler be defeated by methods short of war, it has turned to a simple insistence that Hitler be defeated.

Gallup polls, Fortune polls, newspaper editorials and radio comments combine to substantiate the generalization that the popular attitude is neither defeatist nor complacent over the chances of an Axis victory. There is no geographical sector of the country where the newspapers do not preponderantly urge more effective aid to Britain. The large metropolitan dailies have taken the lead in pressing for more militant action; but a majority of the papers in smaller cities and rural areas show a tendency to follow with increasing vigor. This demand for forthright intervention, it should be noted, is made alike by liberal journals which have consistently supported the New Deal and by a large portion of the conservative press accustomed to denounce this Administration and all its works.

This community of viewpoint on foreign policy is made manifest also in the composition of committees formed to promote more militant governmental action. If, as has been charged, the Committee to Aid the Allies is chiefly representative of conservative interests, the newly formed Union for Democratic Action is headed exclusively by noted progressives and proponents of economic and social reform.

The latest Fortune Forum of Executive Opinion shows unmistakably that big business, which has been the source of appeasement in other lands, indulges in little of that sentiment over here. Of the business leaders polled, 36.5 per cent foresaw costly armaments as the result of an Axis triumph; 22.6 per cent anticipated eventual war with the new "Nazi order"; 25 per cent predicted continuous conflict and economic chaos.

In the available indices to public opinion there is no indication that the isolationists have gained any ground whatever in convincing America either that the Axis is unbeatable or that it presents no menace to this country.

Strategy

The failure of the isolationists to establish either of these theses has led them to concentrate on a somewhat more subtle and perhaps more dangerous form of attack. They are seeking -- and with some degree of success -- to make the choice before the country appear to be one of war or peace, rather than a choice between defeating Hitler or permitting him to triumph.

This strategy is implemented by three devices: (1) President Roosevelt's pre-election pledges to avoid military, naval or aerial involvement in the war are incessantly reiterated. (2) Measures which the President takes or may take to defend American security are called offensive and violative of his pledges. (3) The implication is sedulously fostered that the Administration, through these measures, aims to trick the country into war by deliberately provoking Axis retaliation.

By putting matters in this light, the isolationists capitalize on the natural and strong American aversion for war and seek to disregard the even stronger American aversion

for the "new order" of the Axis. Anti-administration statements stress the fact that a Gallup poll recorded 81 per cent of the public opposed to war at this time, overlooking the infinitely more significant fact that the same poll recorded 68 per cent in favor of American belligerency if it appeared certain that no other means would encompass an Axis defeat.

Awakening

Patently, a high degree of uncertainty prevails among the American people. They are willing to pay whatever price may be necessary to bring about Hitler's downfall; but, of course, they would like to make the purchase as cheaply as possible. They simply do not now know what price must be paid.

There is a rapidly growing awareness that the present price is insufficient. The recent measures taken by the President to implement American intervention have been generally, yet unenthusiastically, applauded. Patrols, ship seizures, the mobilization of shipping, machine tools and skilled labor, the 24-hour operation of plants have all

been accepted as steps in the right direction. More such steps -- the freezing of Axis funds, embargoes and preclusive buying -- are widely advocated. But there appears to be no popular conviction that, of themselves, these will accomplish the desired end.

Recent speeches by members of the Cabinet have prepared the public mind for acceptance of the fact that more drastic action is required. But there is not likely to be a full acceptance of this fact unless the President himself declares it to be so. There is a general expectation that he will do something of this order when he speaks before the Pan American Union on May 14.

Analysis of the temper of the several means of public expression seems to warrant the prediction that the American people will demand whatever action the President declares to be necessary for the world-wide defense of this nation's security. Their united support can best be enlisted, however, through having action forced by them, rather than upon them. For the sake of morale, it would appear to be preferable to have the people push the President into danger than to have them pulled into it by him.

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Mary Katharine Felder

THE SECRETARY OF THE TREASURY
WASHINGTON

*file
personal*

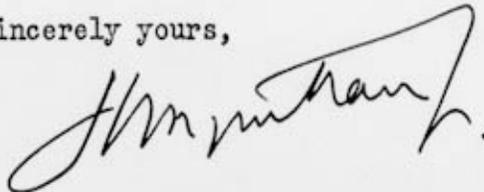
May 23, 1941

My dear Mr. President:

Each week I have been sending you a survey of American opinion about the Lend-Lease policy and the American attitude toward the war generally. I think you might like to see two additional opinion surveys which are made at the Treasury regularly, one on taxes and one on defense bonds. All these reports are based on clippings from hundreds of newspapers in all parts of the country.

I shall be sending all three of these every week, in the belief that they may interest you.

Sincerely yours,



The President,

The White House.

For your information.

May 23, 1941.

To Ferdinand Kuhn, Jr.

From Alan Barth

WAITING FOR THE PRESIDENT

Anticipation

The country is waiting with taut eagerness for President Roosevelt's fireside talk next Tuesday evening. Events abroad -- French collaboration with the Axis in particular -- have produced a conviction that the United States must readjust its relationship to the war. Newspaper and radio comment at home has led the public to expect that the President will propose a fresh definition of American policy.

The press has been full of speculation as to what Mr. Roosevelt will say. It has been predicted that he will declare a full national emergency, that he will announce utilization of the navy to guarantee freedom of the seas or that he will order occupation of French possessions in this hemisphere. Such prophecies may be said to reflect fears as well as wishes.

Postponement of the President's talk from May 14 to May 27 has evoked conjectures almost as varied and imaginative as those offered in explanation of the Rudolf Hess

invasion of England. To most commentators, the fact that the President had been ill seemed too prosaic a solution. They sought more esoteric reasons. Isolationists argued that the time lapse was designed to develop a greater popular appetite for war; interventionists supposed that Mr. Roosevelt was waiting for a clarification of the French and Russian positions respecting the Axis and desired to keep the Germans in perplexity regarding American intentions.

The delay has, in any case, whetted impatience. On either side there is exhortation to the President to give the country a full picture of the world situation and a clear outline of the course on which he proposes to pilot the United States.

Support

Perhaps the best index to the development of American opinion during recent weeks is contained in the Gallup poll published May 20. Fifty-two per cent answered affirmatively when asked, "Should the United States Navy be used to guard ships carrying war materials to Britain?" In April, only 41 per cent recorded themselves in favor of

such action. In current editorial comment emphasis is shifted from the specific device of convoys to a general insistence on use of the navy to win the Battle of the Atlantic.

It is certain that a decided majority of American newspapers approve the recent steps in foreign affairs taken by the Administration. German announcement that American ships would be liable to attack in the Red Sea area aroused, for the most part, an angry defiance among commentators here; it was felt that this threat virtually forced us to protect our right to traverse the ocean highways. "Freedom of the seas" is once more becoming an honored slogan. A few isolationist newspapers, however, saw in this challenge an avenue to belligerency deliberately chosen by the Administration.

The rather severe terms in which the President and the Secretary of State dealt with the Vichy Government's collaboration with Germany were applauded almost everywhere. There have been scattered suggestions that the United States ought to withdraw diplomatic recognition from Vichy and extend it instead to General de Gaulle. Few objections have been raised to seizure of French vessels in American harbors. And a considerable

number of editorials have advocated occupation of the French colonial possessions in this hemisphere. It is noteworthy that such isolationists as Senators Bennett Clark and Robert Reynolds joined in the pressure for American seizure of Guadeloupe and Martinique. Some commentators have gone even beyond this and forthrightly urged an occupation by force of Dakar.

Temper

The mood in which the country awaits Tuesday's talk seems to be fundamentally one of confidence in the President's leadership. At the same time, the public is fearful that it will be presented with a forced option; it would resent unsupported executive action producing a situation which allowed no semblance of popular decision. The insistent demand is for a clear, candid presidential review of facts and needs.

There is genuine uncertainty over certain vital questions on which only the President's answers will be fully trusted: Are British shipping losses so great as to warrant American naval action? To what degree are the United States Army and Navy prepared to make intervention effective? How gravely does the possibility of German occupation of the west African coast threaten the security of the United States?

Despite isolationist reiteration of the President's campaign pledges to avoid participation in foreign wars, it has not been entirely forgotten that these pledges contained the phrase, "except in case of attack." With the latest surrender of the Vichy Government, the idea has taken hold here that even action overseas may be purely defensive action.

The signs indicate that the American people are now ready to follow any course which the President may recommend to them. But they want to make the choice themselves. They are willing to be led, but not thrust into danger.

For your information.

May 23, 1941

To Ferdinand Kuhn, Jr.

From Herbert Merillat

ALL QUIET ON EXCESS PROFITS

The spurt of editorial comment which ordinarily follows an important Treasury tax recommendation has been noticeably lacking in the case of the excess profits tax proposals.

Of the scores of papers so far canvassed, only two -- the Wall Street Journal and the New York Journal of Commerce -- have commented on the proposals in any great detail. Most other papers have been reserved or silent.

Doubtless this silence is due to several causes:

- (1) editorial absorption in more spectacular developments here and abroad;
- (2) the complexity of the subject and an understandable ignorance of the technicalities of the EPT; and
- (3) the popularity of any tax bearing the label "excess profits" which tends to protect it from public attack.

The New York financial papers regard the Treasury's proposals as excessively drastic. They see in the EPT

recommendations a New Deal onslaught upon the profit motive. The New York Times, while reserving judgment on details of the proposals, also suspects "collateral objectives" in addition to the aim of raising more revenue. Such criticism fits in with the consistent story of these newspapers that the middle and upper classes and corporation stockholders are the only ones asked to make sacrifices in the defense program, and that the Treasury tax program is but a part of New Deal plans for redistribution of wealth.

Refutation of these criticisms can be found in a Journal of Commerce report on a canvass of tax accountants. These accountants agree in general that the Treasury corporation tax program is essentially sound and more equitable than the present EPT law, although particular corporations profiting by wise management may be somewhat penalized.

No editorial comment has appeared concerning the modified undistributed profits tax which Mr. Sullivan presented as a possible alternative to the EPT.

Automobile Tax

Away from New York and Washington, newspaper interest in Henderson's tax program has centered in his proposal of

a 20 per cent excise on automobile sales. Most papers which have commented on the proposal at all have reacted violently and have assailed the tax as an unnecessarily drastic burden on the use of an article which is no longer a luxury, but a necessity.

Sales Tax

The proposal of a general sales tax by the National Association of Manufacturers has encouraged the demand for such a tax in a section of the press led by Hearst, Gannett, and the Wall Street Journal. One syndicated editorial sees in the N. A. M. tax program (which includes a broader income tax base as well) clear proof that big business is not trying to make money out of the defense program or to dodge its just share of taxes!

For your information.

May 23, 1941.

To Ferdinand Kuhn, Jr.

From Helen Dallas

FLURRY OVER DEFENSE BOND FIGURES

Against a back-drop of general newspaper friendliness concerning defense savings bonds, the first sales figures issued by the Treasury were the cue for a curtain lecture by a few members of the press.

One or two eastern newspapers took the lead by saying that the sales figures showed that the defense savings campaign was going slowly. The Baltimore Sun suggested that people were too busy buying things in anticipation of higher prices and scarcity to buy defense bonds; other papers took the line that the Treasury should have more aggressive selling methods.

Representative Fred L. Crawford (R) of Michigan next said that the sales effort was a "flop", and predicted that compulsory measures would be necessary for its success. In particular, he described a plan for inserting a provision in defense contracts requiring employers to deduct from each worker's pay a certain percentage to be held until some future day. This was carried by the Associated Press, and was picked up by some of the news broadcasters.

The New York Post said that Secretary Morgenthau's recent offer of new government bonds in the open market was an admission that the defense savings campaign was a failure. Financial writers of the New York Times and Herald Tribune, who have been critical of this Administration's financial policy in the past, promptly answered the Post article by saying that it should be obvious that the government never expected to meet all of its defense borrowings by selling defense bonds to the public. They endorsed the Treasury's view that this is a long-term savings program, not a high-pressure selling campaign.

The Profit Motive

There probably are two explanations for this week's criticism. One may be that, with the Liberty Bond campaign as a precedent, reporters expected sensational developments from the defense savings program. The other may be the desire on the part of some investment bankers to take over the sale of the bonds on a commission basis.

Such a desire came out in a letter to the Times which criticized the bond sale and suggested that the government give the investment bankers a commission, to meet any quota desired.

This letter was well answered the following day by Guy Emerson, vice president of Bankers Trust Company and leader in the Liberty Loan Drive of 1917-18.

In spite of this flurry, the vast majority of the press continues to be favorable and helpful. Every editorial in every section of the country applauds the objectives of the campaign. Many publishers who would profit if the Treasury were to adopt a policy of paid advertising have cooperated with free space.

*Morganthau
Hilde*

For your information.

May 29, 1941.

To Ferdinand Kuhn, Jr.

From Alan Barth

APPLAUSE FOR THE PRESIDENT

Leadership

The American press, almost unanimously, found in President Roosevelt's speech the leadership which it has been exhorting him to assert. The speech was accepted as fully and satisfactorily responsive to the major questions which have kept commentators frustrated and perplexed these recent weeks.

The national sense of direction appears to have been regained. There are still uncertainties, to be sure -- uncertainties as to the precise course to be pursued. Some editorial writers still want to know if American warships on patrol will sink German submarines -- or merely report them; if German occupation of Dakar will be the signal for combat -- or if we shall beat the Germans to the punch; if the Neutrality Act is to be repealed -- or merely disregarded.

In the main, however, there seems to be recognition that these are questions of military strategy, for the time being best left unanswered. There seems to be general recognition, too, of

the idea that leadership had to be exerted through executive action, rather than through an appeal to Congress. There has been little editorial support for the somewhat hysterical overstatement of former Governor Landon that the speech marked "the end of democratic government in the United States, temporarily at least." The cry of dictatorship is scarcely heard above the tumult of applause for effective action. The press has lost its appetite for congressional debate and filibustering delay. It welcomes a strong hand.

Definition

The highest possible praise was accorded the President's analysis of the Nazi menace and his definition of American policy. Terms such as "magnificent", "courageous", "statesmanly", "candid" were commonly applied by Republican and Democratic newspapers alike. Certainly no other speech delivered by Mr. Roosevelt, with the possible exception of his first inaugural, has evoked such widespread and enthusiastic applause. There was particular gratification at the absence of rancor in his words. Their tone and temper, it was felt, called for wholehearted cooperation from every faction.

It is clear that the timing of the talk had much to do with the response it received. Newspapers which for weeks had been beseeching the President to take energetic action could scarcely now cavil at his doing so. Commentators agree, moreover, that public opinion had ripened to a full readiness for just such action. This view is substantially supported by the Fortune Magazine poll for June which discloses that 79.5 per cent of the American people believe we are already in the war for all practical purposes.

The dramatic sinkings of the Hood and Bismarck, just prior to the President's speech, heavily underscored his thesis that the war is now perilously close to the Western Hemisphere and must be kept from coming closer. At least as far as the editorial writers are concerned, there was a ready acceptance of the concept that self-defense compels the United States to forbid Axis occupation of bases threatening to this hemisphere. Only the die-hard isolationist newspapers, now relatively few in number, look upon such preventive action as "involvement in foreign wars." The President's insistence upon freedom of the seas seems to be regarded equally as a purely defensive doctrine.

Expectations

The enthusiasm over the declaration of a national emergency suggests that the commentators expect it to accomplish rather miraculous results. They see in it, among other things, the full solution to the battle of production.

It is plain from the character of their comments that the editors were especially heartened by the President's strictures against strikes. Manifestly the conservatives among them hope that the long awaited crackdown on labor is now at hand. Some, indeed, seemed to feel that Mr. Roosevelt had declared war on John L. Lewis, rather than on Adolf Hitler. Justification of the unlimited emergency status, as they see it, will lie primarily in increased output of the materials for defense.

In the field of foreign affairs there is now general anticipation of drastic action. As to the form it will take, most commentators have so far judiciously refrained from prophecy. But their imaginations are now alive to the wisdom of rapid, forceful economic measures against the Axis, full mobilization of resources at home, and naval defense in whatever form it may be needed to protect the outposts specified by the President.

The particular thought most frequently selected for acclaim was contained in the sentence: "We in the Americas will decide for ourselves when and where our American interests are attacked or our security threatened." The common assumption is that war with the Axis must result from the decision. There is sadness, but little shrinking from this consequence. Everywhere there is expressed a hearty disposition to close ranks behind President Roosevelt's leadership on this issue.

For your information.

May 29, 1941.

To Ferdinand Kuhn, Jr.

From Herbert Merillat

OPINION ON TAXES: SUBDUED VOICES

The editorial outpouring which followed the announcement of the Treasury's tax program a month ago has subsided, doubtless to swell again when the tax bill has been drafted. This seems to be an appropriate time to summarize that comment.

For the most part, interest has been confined to the individual income tax and particular excises -- those taxes which affect the average man most directly. There was loud protest at the recommendation of heavy increases in the lower taxable brackets, coupled with a widespread demand for lower personal exemptions. Although there was general acceptance in theory of the Henderson-Eccles proposal of heavy excises on goods competing with defense production, there was strong reaction against a 20% tax on cars. The subject of corporation income and excess profits taxes has received relatively little attention, except in large city newspapers featuring financial

news. A general sales tax has been widely discussed in the press, but no strong trend in favor of such a tax has developed.

Those "Untaxed Millions"

In its attack on the Treasury's recommendations regarding the individual income tax, the press has failed to pay any attention to figures showing the present distribution of the total tax burden, although those figures have several times been emphasized by witnesses before the Ways and Means Committee.

Those persons at present exempt from income tax are referred to as the untaxed millions. No mention is made of the many indirect taxes they pay. The "middle classes" -- defined as those in the lower present taxable brackets -- are being told that the Treasury proposes intolerable burdens on them while allowing persons with less income to escape scot-free.

This demand for a broader base and less heavy increases in the low income brackets is the only tax proposal on which the press in general is united.

Excess Profits Tax

The gist of recent editorial comment on the Treasury's EPT proposals is that the present EPT is inadequate and changes are necessary to make the tax really effective to check profiteering from the defense program.

Those papers which have analyzed the Treasury plan in detail generally have been critical of it, but Mr. Sullivan's statement before the Ways and Means Committee has aroused the press to the need for changes in the present law. The most remarkable development of the week in the field of tax comment is the Washington Post's kindly attitude toward the Treasury's EPT plan. It is the first conservative paper to suggest that the plan has merit despite some shortcomings and that it should receive serious consideration.

The line of attack in papers opposing the Treasury recommendations has followed that developed in the New York financial journals. It is said that the Treasury seeks to tax heavily "normal" profits not attributable to the defense program and to place a ceiling on profits as part of a share-the-wealth plan.

The press has been predicting that Congress will reject the Treasury's EPT plan and will content itself with modifying the present law by reducing the present credits and boosting the rates. There is reported to be some congressional sentiment for abandoning the EPT in favor of an undistributed profits tax, but newspaper prophets think that the EPT will be retained in modified form.

That 50% would be willing to pay two weeks' salary in additional taxes.

3½ Billions Revenue Goal

Some witnesses before the Ways and Means Committee and some Republican Committee members have suggested that the revenue goal of the new tax bill should be less than 3½ billion dollars. This suggestion has failed to strike fire in the press. Except for a few isolated cases, the press has shown no disposition to retract its almost unanimous approval of the 3½ billions goal, even though its demand for reduction of non-defense spending continues unabated.

Keynes Plan

Keynes' "compulsory savings" plan is condemned out of hand by most papers, probably on the theory that any idea emanating from the originator of "pump-priming" is bound to be unsound. Nevertheless, there is growing editorial opinion that the Keynes plan should and will be seriously considered by the Administration, at least if the problem of raising revenue becomes more acute.

Gallup Poll

So far the Gallup Poll of May 25th has not been commented on by editorial writers. That Poll reported that 58% of those canvassed favor an income tax on all persons not on relief, and that 59% would be willing to pay two weeks' salary in additional taxes.

For your information.

May 29, 1941.

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE SAVINGS: PEBBLES IN A POND

Last week's newspaper pessimism about the defense savings campaign in a part of the Eastern press has now rippled out across the country. In occasional news columns of small city dailies, and in editorials here and there, the Treasury's efforts are said to be disappointing.

Probably this is imitation on the part of smaller newspapers, which tend to follow the lead of metropolitan dailies in financial news. It can be expected that the editorial position taken this week by the New York Times and the Herald Tribune, in which the defeatism of last week is called unwarranted and the Treasury's methods are praised, will in turn be reflected in the outlying press.

The investment bankers have intensified their publicity pressure on the Government to let them sell defense savings bonds on a commission basis. In this they have received some encouragement from financial writers in the important banking centers of New York, Chicago and Philadelphia.

The twelve-fold oversubscription of the Treasury offering of \$600,000,000 has been held as proof of "what a good job the investment bankers would do on the defense bonds if they were given a chance". Halsey, Stuart & Company, Chicago, had announced at the start of the sale that it would throw the force of its nation-wide bond selling staff into an experimental test of its power, to prove to the company's own satisfaction that it and other bond houses would be the logical channels for sale of defense bonds.

No Ballyhoo

Although some papers have suggested that it might be necessary to find new defense bond selling techniques, the press has almost unanimously disapproved any return to the fanfare and hysterical appeals that accompanied Liberty Loan drives.

The flag-waving, four-minute speakers and high-pressure methods of World War days are remembered by editorial writers as having done more harm to public morale and patriotic unity than they were worth in dollars and cents. An exception to this general view was the syndicated humorist H. I. Phillips, who wrote a column suggesting that Secretary Morgenthau drag out the steam

calliopes, the cannon crackers and the bonfire builders, to give the American public some gusto with their bond sales campaign.

Building Morale with Bonds

Newspapers seem to take pride in the fact that the purchase of defense savings bonds is on a voluntary basis. Generally the attitude seems to be that this is the "democratic way" of getting money for defense of the nation, as contrasted with compulsory measures used in fascist states.

English and foreign language newspapers have given prominence to the statements made by Paderewski and Hendrik Willem van Loon, emphasizing the democratic theme of the savings bond program. One Middle Western German editor, writing in the Taegliche Omaha Tribuene did not seem to have his tongue in his cheek when he wrote: "It is to be hoped that the Treasury will succeed, through convincing arguments, in making the different bonds popular. Every kind of pressure should be avoided. An effort to increase general saving now by the use of force could easily lead to total stoppage of voluntary savings . . . In any case, the Treasury has excellent sales arguments . . ."

German-American and Italo-American editors have urged their readers to invest in the bonds. There has been little fence-sitting,

although a few weeks after the important New Yorker Staats-Zeitung Und Herold gave a big play to the first announcement of the savings campaign, it gave almost as much space to a summary of the pessimistic comments of the English-language press on the first sales figures. For the most part the foreign language press in this country has been favorable to the campaign.

Morganthau Folder

For your information

June 6, 1941

To Ferdinand Kuhn, Jr.

From Alan Barth

FALTERING IN THE RANKS

file personal

WHITE HOUSE
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Unity

Developments of the past week have sapped the sense of resolution and exaltation which followed the President's fire-side talk:

(1) The President's press conference on the day following his radio address was construed, both by reporters and by editorial commentators, as diluting the implications of his emergency proclamation. It struck them as anti-climactic -- as a yielding to minority reluctance to run great risks of war.

(2) Isolationists, led by Wheeler and Lindbergh, declined to acknowledge that the policy issue had been settled. They went right on with the debate, suggesting that America has not yet made a final choice even as to its leadership. An important minority, stubborn and unconvinced, continues to oppose the national program.

(3) The property expropriation bill sponsored by the War Department opened a fresh cleavage. Almost all newspapers

denounced it as unnecessarily drastic. Some conservative commentators argued that it constituted a New Deal attempt to promote socialism under cover of the emergency.

(4) President Roosevelt's speech raised public opinion to the expectation of swift and dramatic action. There appears to have been a letdown, a sense of disappointment, when conditions under the unlimited emergency proved to be much the same as they had been under the preceding limited emergency. Newspapers reflect, above all, a keen dissatisfaction over continued strikes in defense industries. They are dejected over the failure of all segments of the country to fuse miraculously into a common purpose.

Yet, despite these fissures, national unity has undoubtedly been advanced by the President's talk. The opposition has thinned. Such stalwart critics of Administration tactics as The Saturday Evening Post, The St. Louis Post-Dispatch and the Knight papers -- Detroit Free Press, Akron Beacon Journal, Miami Herald -- announced acceptance of the decision and pledged full support to the President's leadership. Felix Morley, who but lately espoused a negotiated peace acknowledging Hitlerian domination of Europe, found in Mr. Roosevelt's words "American leadership

at its best." Throughout the country there has been a squaring of shoulders, a lifting of heads, a preparation for great events.

Defense

Although the debate over national policy continues, it is pitched now upon a somewhat different level. The President's speech successfully shifted emphasis from aiding Britain to defending the Western Hemisphere. Current editorial comment shows general appreciation of the point that the vital American problem is to prevent Axis control of Atlantic sea lanes or island bases. The persistent question, consequently, is no longer if we will go to war against Germany, but if Germany, to forestall our defense, will go to war against us.

The press seems increasingly aware, also, of the fact that this war is being fought on the psychological, as well as on the military, plane. There are rather frequent editorial demands for a more positive statement of democratic purposes.

Anthony Eden's recent outline of British war aims manifestly did not satisfy this demand. It was politely applauded in some American newspapers because it paid respects to President Roosevelt's four freedoms and to Secretary Hull's plea for free markets and free sources of raw materials.

Other commentators, however, were distressed by the British Foreign Minister's insistence on punitive measures against Germany and charged him with traditional thinking out of which no fresh pattern of societal organization would be likely to emerge.

The demand at this stage -- and it comes mainly from liberal sources -- is not for any rigid blueprint of peace terms, but for the formulation of basic principles on which a rational political and economic order can be built. Only by presenting an affirmative program of this sort, the liberals insist, can democracy be given the dynamism needed to combat the so-called new order of the totalitarians.

Discouragement

Newspapers focused American attention on the Battle of Crete. Because of the novelty and drama of the struggle there, the defeat suffered by the British seemed far more impressive than the victory which they won at about the same time in Iraq. Editorial opinion, consequently, is extremely pessimistic over the entire British situation in the Mediterranean.

The Cretan disaster has been attributed by a good many military commentators to inferior generalship, as well as to

inferior equipment. There appears to be a growing feeling here, in fact, that the British have been outgeneraled by the Germans all along the line. And this distrust of British military leadership is being cast in some degree upon our own Army and Navy chiefs. There is suspicion that they are exhibiting less imagination and daring in their war plans than the German General Staff.

The form which this criticism most commonly takes in the American press is a demand for an independent air force. Amateur strategists have been suddenly persuaded by the German aerial triumph over Crete and by the sinking of the Bismarck, partially through the use of naval planes, that great armies and navies may be outmoded. Our Generals and Admirals will no doubt be subjected to a quantity of clamor for some time to come. The public is beginning to think in terms of military tactics rather than of diplomatic strategy.

For your information.

June 6, 1941

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS TAX OPINION: EPT PLAN DIES UNMOURNED

Press comment on taxes continues to be small in volume. There is an air of watchful waiting as the Ways and Means Committee gets down to the business of writing a tax bill. Meanwhile the press is absorbed in other matters.

Excess Profits Tax

The press seems to have taken for granted the demise of the Treasury's excess profits tax plan in the Ways and Means Committee. Press opponents of the plan were confident from the outset that this would be its fate. Neither the announcement of the Treasury plan nor its quiet death in Committee aroused the comment which could have been expected if the Committee had shown signs of favoring the EPT proposals. So far there has been no editorial comment on Secretary Morgenthau's statement indicating that efforts will be made to revive the victim.

The Committee cannot base its rejection of the Treasury's EPT program on any widespread press demand for such action. True, the plan was attacked by the oracles of business and

papers which consistently oppose almost any Administration proposal, but smaller papers in general have been noncommittal toward the Treasury plan and have emphasized the need of an effective EPT. The Treasury proposals have frequently been misrepresented in the press. One anti-Administration stalwart asserted that the Treasury regards 4 per cent on invested capital as a proper maximum return for all corporations.

The 2/3 - 1/3 Formula

With regard to the Budget Bureau's report that Federal expenditures in the fiscal year 1942 are likely to exceed 22 billions, headlines have announced that the Treasury expects to abandon its formula to raise 2/3 of the needed money by taxation, 1/3 by borrowing. The Wall Street Journal attributed the dropping of the formula to Treasury fears that Congress will balk at raising even as much as 3-1/2 billions by additional taxes.

U. S. and British Taxes

Reversing the earlier tendency to say that Americans are not taxed as heavily as the British, the press in recent weeks has circulated fairly widely the report of the Tax Foundation showing that the American per capita tax burden

was about the same as the British before the war, and is soon likely to be as great as the present British burden. The report of the staff of the Joint Committee on Internal Revenue Taxation, to the same effect, is now getting publicity. Collier's has devoted an editorial to the same story.

Prepayment of Taxes

The Treasury's plan to issue certificates which can be used to pay taxes has continued to meet almost universal approval. The only sour notes have come from a very few conservative papers which deplore the plan as an encouragement of loose personal budgeting.

Sales Tax

The Wall Street Journal and Nation's Business still speak hopefully of a general sales tax and predict that Congress will seriously consider such a tax. A syndicated editorial, praising the tax as a money-getter and pointing out La Guardia's apostasy on the sales tax issue, continues to get fairly wide circulation in small-town papers.

For your information.

June 7, 1941

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE SAVINGS: A UNITED FRONT APPEARS

Whatever the conflicts between capital and capital, labor and labor, and capital and labor, there seems to be complete agreement about the Defense Savings program. Sections of the public which are still at odds over the Administration's economic policies make common cause in their advocacy of Defense Bonds and Stamps.

Thus the non-controversial course steered by the Treasury in its Defense Savings program has succeeded in winning and spreading good will. Divergent groups now back the bond campaign as a public demonstration of their patriotism, no matter what their other quarrels with the Government may be. In this matter they are rivals only in the sense that each seems to try to outdo the other in cooperating with the program.

As organized labor seeks to maintain its position with the public, its leaders have issued statements and turned over union funds for the purchase of Defense Savings Bonds. President William Green was the first to say publicly that he thought the bonds were a good thing, and he has been followed by many

of his subordinates. This week President Murray of the C. I. O. urged men receiving \$170,000 in back pay for discriminatory discharges to buy as many United States bonds as they could with the money "as a token of faith in the American democracy which has made that back pay possible."

At the same time, bankers have continued to support the program through paid advertisements, resolutions at banking conventions, and statements by leading bankers. Recently they have won much editorial praise for this activity. They have been praised for helping in a cause which, incidentally, benefits them by halting the flow of deposits into savings accounts already bulging with interest-bearing money. President W. Elbridge Brown of the Pennsylvania Bankers Association this week advised his fellow bankers to counsel prospective depositors not to put their money into banks but to buy defense bonds instead. He then declared that "should the deposits be taken by the banks instead of being used for bonds, it would only increase the amount of excessive idle cash and reserves." With the banks as with labor, the Defense Bond campaign has helped groups which are poles apart on most other issues to get together on a national program of importance.

Progress in the Field

Even before Secretary Morgenthau's speech announcing the sale of more than \$400,000,000 in bonds during May, there had been a spreading over the country of the more optimistic editorial and financial comment that was reported last week in the New York papers. Big-circulation newspapers such as the Boston Post and the Philadelphia Bulletin have editorialized that the Defense Bond program has been misunderstood by papers that attempted to criticize it earlier, and that sales are good and steady. First editorial reactions to the Secretary's speech agree with him that the first month's results are a "wonderful start."

The only critical note was again sounded by Congressman Crawford, who followed the Secretary's statement with another warning that defense sales are lagging and that the Treasury is misrepresenting the true state of affairs to the people of the nation.

Financial papers warn that the public must not expect too much from the Defense Bond sales in June, because some subscribers undoubtedly purchased their full yearly quota in May. New bond-selling ideas appearing in the press suggest, however, that at least the sales of Series E bonds may be increased by new

devices. Typical newspaper stories of the week are concerned with "Dividends in Defense Bonds," "\$1,000 a week in Prizes Given in Defense Savings Bonds," "Defense Stamps to be Given Employees of Oil Company," and "Mail Carriers Now Will Sell Defense Stamps." Certainly there is no sign in the newspapers or magazines that public interest is slackening.

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For your information.

June 13, 1941.

To Ferdinand Kuhn, Jr.
From Alan Barth

SENSE OF STRAIN

Tension

The sinking of the Robin Moor has occasioned little more excitement in America than the sinking of the Zamzam a few weeks ago. Such incidents are expected. They arouse apprehension, but not indignation. The press, and presumably the public too, asks about each of them only whether it is the particular "incident" which will touch off the shooting.

It was freely predicted a few years ago that American indignation would be beyond control if great cities and civilian populations were indiscriminately bombed. Yet the air attacks on London have evoked little more than pious regrets and philosophical reflections on the military potency of the airplane. Through a long process of insulation -- China, Ethiopia, Spain and the European struggle itself -- American sensibilities have become calloused to the acceptance of horrors. The public has been reduced to a condition of moral and emotional anaesthesia.

Accordingly, it does not press for war upon learning that a German submarine torpedoed an American vessel. It merely wonders if war will ensue. It has been wondering about this for so long that, if the press is an accurate mirror, the public mind is in a state of insupportable strain. It desires, above all, a final decision on the issue.

There is no longer certainty, as there was immediately after the President's fireside talk, that a final decision has been made. The sense of dedication to a fixed purpose which the President's words engendered appears to be diminishing. It can scarcely be sustained for long without action to implement it. The persistent complaint of the editorial commentators is that the country's foreign policy is still being conducted in the realm of words instead of deeds.

Encouragement

Certain events, however, have served to offset the blight of inaction and to bolster popular morale:

- (1) The press conference at which the President dealt with the peace rumors circulated about Ambassador Winant's return to the United States effectually set at rest the defeatism and confusion which these rumors had been designed

to create. It acted also to strengthen the growing realization that the Nazis are already waging war against this country, in a psychological sense at the very least.

(2) A similar effect was wrought by the skepticism and derision with which the press treated ex-Ambassador Cudahy's interview with Hitler. It seems apparent that very few in America are inclined to take Hitlerian protestations of friendship with any seriousness.

(3) There has been overwhelming applause for the British move into Syria. While commentators temper their enthusiasm by warning of possible disaster, they are delighted that the British seized the initiative from the Germans in this instance. There have been few recriminations on the score that the move involved an attack upon the French. On the contrary, it now appears to be generally accepted that the Vichy Government is no more than a puppet of Berlin. Editorial sentiment favors treatment of it as such by the United States as well as by Britain. Particular satisfaction is expressed in many newspapers over the fact that American equipment is playing an important role in the British advance.

Press opinion in the main is nevertheless rather pessimistic about British chances in the Mediterranean. It is feared that the move into Syria will so weaken British forces in Egypt as to permit a German drive on Suez through Africa. Interventionist newspapers plead for forthright American naval action to help keep the Mediterranean out of German hands.

Action

"They asked for what they got" is the typical refrain in newspaper comment on the Inglewood showdown. It is equally true that the newspapers got what they asked for. They have greeted this achievement with all the zest of a pack of foxhounds yapping at a cornered quarry.

Only a very few newspapers have shown any sense of the tragic implications inherent in the use of American troops to quell American civilians. These few acknowledge that the situation as it existed after the President's plea for uninterrupted production required so stern a measure; but they feel that the Administration is not without some share of responsibility for creation of the situation.

Conservative newspapers -- the great bulk of the American press -- frankly rejoiced in the situation as a

long overdue crackdown on labor. They blamed the Administration, too -- for quite different reasons. The New York Herald Tribune, for example, observed that C. I. O. unions "suffer from a type of leadership which is a natural product of New Deal pampering," and that "the seeds of this bitter fruit were planted with the adoption of the one-sided Wagner Act, the Magna Charta, not of labor, but of the labor bully and agitator." Many other papers echoed this sentiment, urging legislation to outlaw mass picketing, to compel a cooling-off period and, in some instances, to forbid strikes entirely.

Casting a slight shadow on their delight was the thought that the strikers may yet have their demands granted by the Government. The effect of this, they warn, would be to encourage other unions to foment strikes which would compel the Government to take over plants everywhere. It is this sobering consideration which impels most editorial writers to prefer compulsory mediation to governmental seizure as a means of curbing labor excesses.

The latest Gallup poll, recording 76 per cent in favor of forbidding strikes, shows clearly enough that the general public supports the conservative press in desiring restraints

on labor. Since the newspapers themselves are the public's principal medium of information about labor, this is scarcely surprising. The doctrine that strikes are synonymous with communism is beginning to blossom.

On the whole, however, the vigorous action taken by the President at Inglewood has had a decidedly salutary effect. It has been accepted as indicative of strong leadership and of full determination to carry through his stated policies. Decisive measures, whatever their nature, are what the country most desires.

For your information.

June 13, 1941

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS OPINION ON TAXES:
RENEWED DEMAND TO BROADEN THE BASE

Earlier in the week new stories and headlines predicted that the Ways and Means Committee would reduce the personal income tax exemptions. There has not yet been much editorial comment on the Committee's subsequent decision not to broaden the base, but the New York Times and Wall Street Journal have led off with attacks on that decision.

The discussion has gained somewhat in candor. Whereas earlier editorial demands for a broader income tax base characteristically referred to persons below present exemption levels as the "untaxed millions", the Times and Journal now point out that low-income groups pay substantial indirect taxes.

However, they urge that more people should be made subject to the income tax on the grounds that (1) direct taxes would make voters more tax-conscious, therefore more economy-minded, and (2) that the present exemptions do not accord with a realistic view of ability to pay taxes.

The Journal has apparently concluded that its pet tax proposal -- a general retail sales tax -- has little chance of enactment and accordingly joins in criticizing the failure to broaden the income tax base.

Excess Profits Tax

The Committee's rejection of the Treasury's EPT plan has still not aroused much press comment. No paper so far has expressed any regret over the Committee's action. Even the Christian Science Monitor, which has been more vociferous than most papers on the need for a revised and really effective EPT, regarded the Committee's action as proper.

Non-defense Spending

Possible reduction of non-defense expenditures continues to be the aspect of federal fiscal policy receiving most attention in the press. The President's downward revision of the WPA appropriation request was regarded as a step in the proper direction, but a halting one and not nearly big enough.

The press has now begun to adopt a hopeless tone in its discussion of possible economies. After a spate of attacks on the President, the Treasury, and Congressional Committees

for passing the buck on this issue, the press seems to have concluded that there is little hope for substantial reductions in non-defense spending. But the demands for such cuts persist.

From letters, Washington, to Dallas, New York, the little news and weekly magazines reflect the already growth of Defense Savings activity on the part of citizens' groups.

Instances of the formation of state, county and local Defense Committees, of campaigns and drives about to begin, and of Defense Savings rallies, have been appearing throughout the country in increasing numbers. In addition there have been favorable resolutions from leading business, professional and social organizations, as well as favorable statements from leading citizens.

These resolutions and statements are not all talk, although one member of the county committee in Georgetown, Texas, reported that he had made 33 speeches in two weeks. Advertising collectors in small towns have been successful in contacting the leading business men to give full-page spreads in local papers pledging the town's assistance to the Defense Bond Campaign. A typical appeal of this sort comes from Marble Falls, Texas: "Keep our flag waving above the rooftops of

For your information.

June 13, 1941.

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE SAVINGS: OPINION IN THE GRASS ROOTS

From Yakima, Washington, to Dunkirk, New York, the little town and county newspapers reflect the steady growth of Defense Savings activity on the part of citizens' groups.

Announcement of the formation of state, county and local defense committees, of campaigns and drives about to begin, and of defense savings rallies, have been appearing throughout the country in increasing numbers. In addition there have been favorable resolutions from leading business, professional and social organizations, as well as favorable statements from leading citizens.

These resolutions and statements are not all talk, although one member of the county committee in Georgetown, Texas, reported that he had made 23 speeches in two weeks. Advertising solicitors in small towns have been successful in canvassing the leading business men to give full-page spreads in local papers pledging the town's assistance to the Defense Bond Campaign. A typical appeal of this sort comes from Marble Falls, Texas: "Keep our flag waving above the ramparts we

watch, and liberty's light shining throughout the Western World. Buy a Slice of America Now." In other small towns many retail establishments have recently promised to handle the sale of Defense Stamps. Not to be outdone by the "independents," chain stores in one or two instances have said that they would handle the stamps.

Women's groups, from the Washington State Federation of Business and Professional Women's clubs to the Monday Study Club of Healdton, Oklahoma, are beginning to push the sale of the bonds. At a recent meeting, the Monday Study Club "voted to buy a U. S. Savings Bond as a patriotic gesture." Many teachers have expressed their approval of the Defense Savings program at teachers' association meetings, and are now embarking on school drives, stamp days, and banking hours in their classes.

More and more patriotic little boys and girls who prefer to "do their part" instead of buying a lollipop, are finding their way into the press. Just recently Tommy McCoy of West Virginia "exemplified the spirit of young America" in the Wheeling Intelligencer when he invested half of his award for scholarship honors in Defense Savings Stamps. He gave the other half to the Wheeling chapter of the American Red Cross.

Press reaction in the little dailies has been more than favorable all along, ranging from a mere show of cooperation to considerable flag waving. The pessimism of some metropolitan newspapers of a few weeks ago was diluted almost to the vanishing point by the time it reached the grass roots.

News stories reflect typical small-town pride, with headlines in the early days of the sale claiming "Residents of Dillon Quick to Buy Bonds," "Sale of Defense Bonds Good in Senatobia," and "Bonds in Woodward Go Like a House Afire." Most newspapers publicized the first citizen of the town who bought a bond, and there was wide-spread quoting of patriotic sentiments. In one South Carolina town the first buyer said, "I'm no millionaire, but when it comes to putting up money for my Uncle Sam, I'm right there."

Occasionally a rural postmaster has announced that the bonds in his locality were not doing as well as they should. Almost always in such cases the local newspapers have implied that the citizens were at fault. In Lindsay, Oklahoma, for example, an editorial on the town's record complained: "Bonds and stamps which will finance the United States in her fight against the dictator countries failed to get a big response from Lindsay citizens."

Newspaper Coverage Jumps

Newspaper articles and editorials have at least doubled in number since Secretary Morgenthau's speech of ten days ago announcing the nation-wide sales results of the first month of the Defense Savings program. In addition, sales figures for states and cities have received wide attention throughout the country.

Editorial writers have taken this opportunity to renew their praise of the bonds and stamps, and to scoff at earlier suggestions that sales were not going well. The Press-Herald of Portland, Maine, said that these rumors were Fifth Columnism. Generally their attitude has been that the Defense Savings program has made a good start, and it is up to the people to help keep it up.

Several papers commented on the significance of the heavy sales of stamps and bonds of low denomination, saying that this indicated interest on the part of working men and women in the campaign. Others praised the Government for not using high-pressure sales tactics.

Only two or three editorials of the scores examined took a doubtful tone. Of these, the Indianapolis News said that

the showing was weak and that the reason for it was the lack of enthusiasm for the Administration's war policy.

More recently financial writers in the Wall Street Journal, the Herald Tribune and the New York Times have reported that in the New York Federal Reserve District the sale of bonds for the first week in June has dropped. This was anticipated, they said, because purchases during May were swollen by the investment of trust funds.

Morgenthau

FOR YOUR INFORMATION.

June 20, 1941

To Ferdinand Kuhn, Jr.

From Alan Barth

TOTAL WAR

Prelude

The week's decisive measures -- establishment of guilt for the sinking of the Robin Moor, the freezing of Axis assets, the closing of German consulates here -- have had an inspiring effect. Axis reprisals have served only to sharpen American hostility. Both the news and editorial pages of the press are tingling with a sense of imminent danger. The sense of national direction, lost temporarily in the period of inaction which succeeded the President's fireside address, appears to have been recaptured.

Administration handling of the Robin Moor incident was applauded almost everywhere. The restraint exercised by the President at the outset disarmed those who were ready to assert that he welcomed the tragedy as a provocation to war. His message to Congress came only after the public itself had digested the facts and had called for a strong protest. And the message, which in itself recommended no action, paved the way for popular feeling to propel the Government into further firm measures.

The freezing of German and Italian funds in this country was greeted as a common sense piece of self-protection long overdue.

It is commonly believed that German dollar holdings were employed for subversive purposes. The retaliatory seizures by the German and Italian Governments were taken as a matter of course and evoked few groans. American property in the totalitarian states, it was recognized, had, in effect, been confiscated long ago.

Similarly, the typical editorial reaction to the closing of German consulates and other propaganda agencies was, "It's about time." There is no doubt in editorial minds that the Nazis grossly abused their diplomatic privileges here. Numerous commentators are in favor of a complete severance of diplomatic relations between the United States and the Reich.

These dramatic events are pretty generally regarded as the prelude to full-fledged war against the Axis. While the few remaining isolationist papers grumble about them on this account, the bulk of the press now faces the anticipated consequences philosophically and with only mild dismay. The hope that the defeat of Hitler can be purchased without full American intervention seems to have been almost entirely discarded.

Of still greater significance is the abandonment of the isolationist-inspired belief that the choice before the United States has been one of war or peace. There appears to be ever widening awareness that the genuine choice is between resistance or submission to Hitler. As to this choice, there is virtually no hesitation.

The deepening editorial conviction is that it is folly to worry about hypothetical "state of war." The feeling implanted by the President's words is taking root -- that what is necessary is to proceed firmly along the course on which we have determined, gauging successive steps only by their feasibility and their effectiveness for the desired end. Editorial thought has been transferred from the philosophical to the pragmatic.

Tactics

American newspapers are beginning to grasp the meaning of total war. They have come to recognize that it has other than military and naval aspects. Consequently they have lost their absorption in the idea of convoys as the sole effective means of aid to Britain.

There is now belated acknowledgment that the President has been pressing the economic and political aspects of total war with a good deal of vigor and a great deal of acumen. The New York Herald Tribune, for example, has suddenly come to the conclusion that "for virtually the first time in his whole career, Herr Hitler has himself encountered the very technique which he used over and over again to 'soften,' divide and defeat his victims in detail. And it has proved as deadly against him as it was in his own hands." The press wants this economic and political warfare to be waged as forcefully as possible.

The careful exclusion of Japan from its effects has occasioned some unfavorable comment. There were cheers for the action taken recently by Secretary Ickes to detain a shipment of oil destined for Japan from an eastern seaport. Eastern papers in particular voice objections to sending American petroleum to the Japanese in the face of threats of gasolineless Sundays here. Numerous commentators urge the imposition of a rigid embargo against the Japanese. Others, however, are inclined to view the favored treatment accorded to Japan as a justifiable maneuver in the strategy of economic belligerency.

It is important to note that criticism of this sort is criticism of tactics, not of purposes. The purposes of the Administration now seem to be overwhelmingly accepted. The recent implementation of them, both at home and abroad, has promoted a fresh buoyancy. The nation seems relieved to feel that it is on the march.

Notes

British seizure of the initiative in Syria and Egypt produced a rather short-lived wave of optimism. It was succeeded by serious disappointment over the stubbornness of French resistance and over the swift German repulse of the British attack at Salum. Again the setbacks suffered by British forces occasioned a good deal of distrust here regarding the quality of British leadership.

The press has treated the tales of imminent Russo-German conflict with healthy skepticism. There is no doubt that it hopes for hostilities between the Nazi and Communist dictators. But it has not permitted its hopes to run away with its reason. On the contrary, it has engaged mainly in non-wishful thinking equivalent to downright pessimism. The prevalent view is that the Germans will achieve a bloodless conquest of the resources of the Soviet Union and will thereby be entrenched for a long and bitter war of attrition.

For your information

June 20, 1941

To Ferdinand Kuhn, Jr.

From Herbert Merillat

LABOR AND THE EXCESS PROFITS TAX

A review of recent labor union publications and pro-labor periodicals indicates that labor organizations are carefully watching Congressional action and inaction on excess profits taxation.

While the conservative press professes to see developing in Washington a New Deal scheme to undermine the private enterprise system, the labor press does some viewing with alarm on its own -- looking, as one would expect, in quite a different direction.

The Wall Street Journal and papers of kindred philosophy see a pattern of corporate penalties in price controls, rising labor costs, and Treasury tax recommendations. Labor spokesmen, on the other hand, see a campaign against the workingman in anti-strike bills, failure to control prices of consumer goods, and Congressional failure to tax excess profits effectively.

The principle underlying the Treasury's EPT proposal has been endorsed expressly or impliedly in such papers as "Labor" (the weekly published by the Railroad Brotherhoods), the "CIO News,"

"PM," La Follette's "Progressive," and the "New Republic." The demand for an effective EPT and price control has become more insistent after the government's seizure of the North American plant. The New Republic remarks: "We use soldiers to break a strike; what are we doing to prevent profiteers from withholding essential goods and services, and then retaining their ill-gotten gains? . . . Mr. President, put the heat on Congress to act on excess profits and commandeering!"

After noting the Ways and Means Committee's veto of the Treasury's EPT plan, "Labor" asks whether Congress and the President are going to insist that employers too contribute to the common good. "Unless the prices of commodities and the profits of industry are curbed," it says, "the American worker . . . will be the principal if not the only bearer of the burden of the emergency." "Labor", in pushing the railroad workers' demand for higher wages, does not fail to point out large increases in railroad income almost untouched by the EPT.

La Follette's "Progressive" sees in Mr. Sullivan's statement on the EPT before the Committee a confirmation of the Senator's prophecy that the present EPT would play into the hands of wealthy vested interests.

All the papers and periodicals above mentioned agree that an EPT taxing high profits, whether or not they are war profits,

is necessary. These papers, through cartoons, editorials, and news items, point out that the present EPT does not substantially affect the earnings of many corporations which benefit greatly from the defense program and many others which have long enjoyed high incomes. It is a point for which the citizens would look in vain in the general press and one which could easily be missed in the complexities and obscurity of EPT discussions.

Broadening the Base

The Ways and Means Committee's decision to retain present personal exemptions has stirred up more newspaper comment than any other recent tax development. The majority of papers accuse the Committee of political cowardice and reiterate that a broader base is desirable for its psychological effect. However, in view of the almost universal demand for a broader base which developed earlier, there is a surprising amount of favorable comment in some small-town papers on the Committee's action. Such papers point out collection costs and present hidden taxes on low incomes as factors supporting the refusal to broaden the base.

Joint Returns

So far, almost no press comment has been received on the Committee's decision that married couples must file joint income tax returns. PM referred to the action as being designed to close one of the biggest loopholes in the income tax law.

Committee Tax Bill

It is too early for editorial reaction to the tax bill approved tentatively by the Ways and Means Committee. However, an editorial in the New York Journal of Commerce may give a hint of the comment to be expected. Although the initial surtax rate proposed by the Committee is less than half that recommended by the Treasury, the Journal speaks of "sweeping and very severe increases in surtaxes on individual incomes." It hits the failure to broaden the base. It says the bill will not raise two-thirds of the money needed to finance defense and does not curtail purchasing power of low income groups, and it looks for a second revenue measure later in the year to accomplish those ends unless the present bill is substantially revised.

For your information

June 20, 1941

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE SAVINGS: WHAT THE CLIPPINGS SHOW

As each state is organized in the Defense Savings program, the effects become apparent almost immediately in a rash of newspaper articles. These start with reports of speeches and committee appointments, and as the state is exposed to intensified organization, they spread to cover everything from stamp banks and payroll deduction plans to rallies-at-the-picnic ground, and in one case a State Defense Bond Day.

Newspaper clippings from the four states where field organizers have concentrated their heaviest efforts outnumber returns from other states three to one. Yet each of these states is different enough from any of the others to be able to classify the bulk of its clippings by type. Texas, stronghold of the independent storekeepers, runs to a booster type of campaign, with every local businessman "expected to do his part."

In Michigan, an industrial state, story interest has naturally been focused on payroll allotment plans and labor union activity. In addition to contributions from labor union

treasuries there has been widespread cooperation on the part of the labor press. For example, the "Detroit Teamster" last week printed a half-page appeal under the heading "America Preferred" urging teamsters to buy bonds. The "United Automobile Worker" has carried stories and pictures on the Defense Savings program.

More and more merchants are beginning to tie U. S. Savings Bonds and Stamps into their advertisements in places where state and local committees are functioning. One dry goods store advertises Cotton Week, and adds a plug for Savings Bonds. A drug store in a half-page ad announces that "to support National Defense Cunningham's Volunteers to Sell United States Stamps." A jeweler offers "\$5 worth of Defense Stamps free - with any diamond purchase of \$19.75 or over."

Although returns coming in from the organized states are comparatively greater than for others, this does not mean that there is no activity elsewhere. The Postmaster of Miami, Florida, did not wait for a state organization to be set up before he instructed his rural mail carriers to sell the stamps in outlying districts. And Boeing aircraft workers in Seattle, Washington, were the first union members to suggest during salary negotiations that the company deduct money from union members' pay checks for the purchase of bonds.

In some places, as the organizational effort is intensified, there is newspaper evidence that participants are carried away by their own fervor and are using the kind of pressure that has been disapproved officially by the Defense Savings Staff. One hundred per cent drives among school children have been reported in Texas and Michigan and elsewhere. The El Paso, Texas, "Times" reports that "El Paso firms, employing seven or more persons, not complying with the program to place employes on regular salary deductions for the purchase of defense bonds or stamps, are to be reported under instructions from the U. S. Treasury Department." This is against the announced Treasury policy disapproving involuntary payroll deductions.

That preachers have been asked to deliver Defense Bond-selling sermons to their congregations, in spite of Treasury instructions to the contrary, is indicated in the stand taken by the Michigan annual conference of the Methodist church, in Kalamazoo. "The Church of Jesus Christ shall not be available to the use of those who would change it from a house of prayer into a rostrum for bond salesmen and minutemen," the conference warned. "The sale of 'defense bonds' or the practicing of any other secular finance schemes is strictly out of order in the Lord's House."

What Editorial Writers Say

The great bulk of newspaper editorials have urged their readers to help National Defense by buying Defense Savings Bonds and Stamps. Many of these have followed a line taken typically in the Indianapolis "Star": "It is time to ask the questions now, each man and woman of himself and herself, and to get answers that can be repeated without shame at some future time when they might be asked by others in sorrow and in reproach. The unlimited national emergency is here! Where are you?"

Others continue to encourage the Treasury Department in its methods of conducting the Defense Savings program. The Hamilton, Ohio, "Journal-News" goes all out with the declaration that "the record of the first month's distribution of defense securities stands out as our best single job in connection with national defense."

More than before editorial and financial writers have turned to a discussion of inflation, and the part that can be played by Defense Bonds and Stamps in staving it off. In this connection, New York financial columnists have pointed out that it is the public's earnings, even more than its savings, which the Treasury wants; that any discontent with the bond sales so far should stem from the fact that not enough people have bought bonds out of their current incomes.

A few anti-New Deal papers, while favoring the Defense Bond campaign, have used it as a springboard for comment on the failures of New Deal policies. One notes that the New Deal bogey of thrift has now become a virtue. Another points out that the payrolls of the executive departments of our government are growing so rapidly that outgo in salaries and wages will soon eat up money almost half as fast as the people can lend it to the government.

Although, as was expected, sales of bonds have fallen off this month, there has been little comment on the figures. Financial writers commenting on the June sales have noted that Series E bonds, intended for the little investor, have held up well. Only two editorials of all of those examined suggested that more selling pressure should be brought. The Richmond "News Leader" says that if organization by state and locality doesn't work, then the nation might as well be prepared for compulsory savings as "the democratic way." The Cleveland "Plain Dealer" enlarges on the idea. Deploring "the failure of the defense program to engender a spirit of sacrifice," this paper suggests that savings should be drafted as well as man-power and property.

Several editorial writers have incorporated material critical of the defense strikes in editorials dealing with Defense Bonds. Only one so far, the Seattle "Post Intelligencer" has praised the cooperation of labor unions with the Defense Bond program. In this case the Aeronautical Mechanics Union at Boeing was singled out for special mention.

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For your information.

June 27, 1941.

To Ferdinand Kuhn, Jr.

From Alan Barth

"THE FOURTH CLIMACTERIC": EYES ON THE TARGET

Despite mixed emotions over the latest extension of the war, the American press has, to a remarkable degree, kept its sights trained on the bull's-eye of Nazism. It has, in the main, embraced and fostered the conclusions expressed in the official statement made by Under Secretary of State Sumner Welles: that the German invasion of Russia constitutes final proof of Nazi perfidy, illustrating anew the senselessness of appeasing Hitler; that, regardless of our abhorrence for the doctrines of Communism, "Hitler's armies are today the chief dangers of the Americas."

Rejoicing

The instinctive American response to the Russo-German conflict was one of thanksgiving. There seemed to be a peculiarly satisfying irony in the prospect of the world's two most ruthless and formidable dictators tearing at one another's vitals.

Behind this editorial delight there appears to be a somewhat complex motivation. The basic source of satisfaction, of course, was the transfer of the Soviet Union's

unknown strength from the Axis to the anti-Axis column. Yet the hope that Hitler will come a cropper in his latest venture is paralleled -- sometimes on the same editorial page -- by the hope that Stalin will be liquidated; the invasion is looked upon as retribution for Soviet collaboration with Germany. And no small part of the editorial enjoyment of the situation stems from the discomfiture of Communists in the United States. Almost every commentator has indulged himself in a chortle over The Daily Worker's sudden insistence upon full American aid in the fight against Fascism.

Newspapers have advanced several explanations for the German attack on the U.S.S.R. The most popular and most hopeful of these deals with economics. It assumes that Hitler can no longer carry on the war with his present resources and is obliged to secure grain and oil from the Ukraine. The New York Times observes, in this connection, that "Essentially the war against Russia is a counter-balance to the weight of the United States."

Other commentators argue that the Hitlerian purpose is strategic -- to secure his rear in preparation for an all-out attack on the British Isles later on. This view

regards the campaign against Russia as a display of strength instead of weakness. It foresees, also, a flanking movement against the British position in the middle east.

Considerable weight has been given as well to a supposed psychological motivation. The drive on Russia is interpreted as an attempt to divide and confuse the democracies by the semblance of a crusade against Communism. The Hess flight is now commonly linked to a Nazi attempt to substitute war in the east for war in the west. Should the Soviet Union be quickly crushed, many commentators fear there will be, both in Britain and in this country, greater receptivity toward peace proposals which would give the Reich complete mastery of Europe. It is acknowledged that a German triumph over Russia would afford Hitler an almost unassailable position.

Opposition

Isolationists and interventionists alike assume that the Reichswehr will win in Russia. The Red Army is not highly rated by America's journalistic strategists. But to the isolationists, this extension of the war seems a reprieve for Britain and the United States, while the interventionists hail it as an opportunity.

The isolationist line finds its most elementary expression in The Chicago Tribune. In an editorial titled "The Heat is Off,"

this newspaper declares categorically that "Britain is no longer threatened with invasion." From this premise, it argues that ". . . if there ever was any justification for our intervention in arms, that justification no longer exists." In varying degrees, a minority of newspapers reflect this tendency to relax American efforts against the Axis.

A more specious and subtle means of distracting American attention from the main issue of defeating Hitlerism is put forward by the Scripps-Howard and Patterson papers. The former, rejoicing in the prospect of a death struggle between the dictators, assert somewhat paradoxically: "Our neutrality is positive -- against both of them." The New York Daily News echoes The Chicago Tribune's complacent assumption that Britain is now safe and plays upon the average American's distaste for Communism. "We'll be hearing a lot," it remarks, "about Russia being another embattled democracy, like Britain, China and Greece . . . But it looks to us as if it will take a very long time to sell Americans the idea of fighting with and for Joe Stalin." The Wall Street Journal pushes this prejudice a step farther by warning that American aid may turn all Europe over to Communism.

Opportunity

A majority of the American press, however, has refused to allow itself to be distracted from its primary purpose -- the defeat of Hitler. The Des Moines Register is representative of newspapers in every section of the country in urging that, "To permit ourselves to be befuddled and divided on this central reality would be what the Nazis hope -- and what we cannot afford."

There is a manifest sense of relief, to be sure, over the editorial assumption that time and geography make the direct tendering of Lend-Lease aid to Russia largely academic. The pressure is for redoubled assistance to the British. The Administration is exhorted to give Britain at once as many planes as possible and to employ whatever measures may be needed to transport these safely and speedily across the Atlantic. Many papers urge full use of the United States Navy to win the Battle of the Atlantic now.

What Winston Churchill called "the fourth climacteric" is seen as a great chance -- perhaps the final chance -- to change the current of the conflict. The Prime Minister's speech allying Britain with Russia was generally applauded here as indicating a realistic determination to take advantage of the

opportunity. High hopes are entertained for the efficacy of British bombing raids over western Europe. The chief benefit of Russian resistance is seen in the possibility of carrying the war to Germany with increasing vigor. The pace of American aid at this moment is regarded as one of the decisive factors. In the face of the opportunity, the press reflects a general public feeling of renaissance.

For your information.

June 27, 1941.

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS OPINION ON TAXES: INFLATION TALK

The fear, or professed fear, of inflation has been a constant theme in newspaper discussions of Federal fiscal policy, especially tax problems. Most inflation talk is found in the conservative press, which points to the danger of inflation as the most compelling reason for: (1) broader income taxes or sales taxes to cut the purchasing power of low income groups; (2) termination of the President's power to devalue the dollar, which is characterized as a potent threat of inflation; (3) a ceiling on wages; (4) reduction of farm subsidies; and (5) reduction of non-defense spending.

On the other hand, the pro-labor newspapers and labor journals are relatively quiet on the subject of inflation; they continue to demand higher wages and the exemption of low incomes from taxation. When the subject is touched on at all, it is usually said that there is no danger of inflation so long as our productive capacity is not used to the limit, and that emphasis should be placed on increasing production rather than curtailing purchasing power.

All shades of opinion agree that it is important to raise as much as possible of the money needed to finance defense by taxation and borrowing from current savings rather than by borrowing from banks. Some papers and commentators, notably the Scripps-Howard papers and John T. Flynn, point out that $3\frac{1}{2}$ billions in taxes will retrieve for the Treasury only a small part of the billions being poured out by the Government. In this fact, with its corollary of the need to rely heavily on borrowing, these papers see danger of inflation. In general, however, there is no demand for a higher revenue goal as a means of checking the inflationary spiral.

The Committee's Tax Bill

Press criticism of the Ways and Means Committee's tentative tax proposals follows the lines laid out in earlier editorial discussion of taxes. The surtaxes on individuals, it is noted with relief, are milder than those proposed by the Treasury, but still severe. The demand for a broader base continues in most papers. It is said that the surtaxes imposed on present taxable incomes represent too abrupt an increase when it is considered that incomes below the present exemption levels will continue to be tax free.

Much emphasis is placed on the psychological aspect of income tax payments by low income groups. Everyone, it is said, should have a feeling of making a direct financial contribution to the defense effort. Most papers urge a broader base, not as a means of raising large amounts of revenue, but on the ground that more people should be tax conscious. This is a notable change from the theme developed earlier in the year, when the answer to the Treasury's prayer for more revenue was widely publicized as lying somewhere below present exemption levels.

Joint Returns, Morals, and Manifest Destiny

The only substantive change in the personal income tax law proposed by the Committee -- the requirement that husband and wife file joint returns -- has provoked remarkably little comment.

Papers in community-property states have pointed out the special interest of such states in the proposal, but as often as not they have been uncritical. A substantial number, however, bitterly oppose the joint return plan and accuse the Committee of an attack on the moral code of the nation of invading the constitutional rights of citizens living under the blessings of the community-property system. The joint return requirement, they say, will discourage marriages and encourage divorces.

The Washington Post scoffed at the charge that the proposal would break up happy homes and concluded that the emergency justified the change. It followed up with a suggestion that bachelors be discriminated against in the tax laws, in order to encourage marriages and boost the birth rate. Only if the birth rate goes up, said the Post, will the nation be ready to fulfill its manifest destiny when Hitlerism falls.

Delay

There is a growing impatience in the press at the delay in Congressional action on the new tax bill. It is said that individuals and corporations should know as soon as possible what their taxes will amount to, in order to make provision for payment. Also it is pointed out that delay is costing much in lost excises. Senator Vandenberg's suggestion that the income tax and excise features of the bill be separated, with immediate action on the excises, has been received favorably.

For your information.

June 27, 1941.

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE SAVINGS: MOMENTUM IN THE PRESS

While June sales figures show a slump compared to May, the press throughout the country shows increased momentum in the promotion of the Defense Savings program.

From Michigan comes news that the State association of chain stores will sponsor the sale of Defense Savings Stamps in all chain outlets -- including grocery stores, variety stores and clothing stores. If the plan proves successful, it will be tried in other states. News of independent store cooperation continues to take up an important part of the space given the Defense Bond program in the press of the country.

Employee and employer plans for payroll deduction programs are also increasing in great number. In addition to such nationally known firms as Swift and Company, which last week received widespread publicity as a result of efforts along this line, scores of nationally prominent businesses and hundreds of small establishments have announced their intentions to cooperate.

Most of these plans are strictly voluntary and thus in full accord with Treasury policy; occasionally, however, the spirit of the program is violated. An article in "Variety" for June 18 reports that the management of a legitimate stage company in New York has adopted a rule that from now on 25 per cent of actors' salaries are to be paid in Defense Savings Bonds. "Variety" remarked that "this may be a dress rehearsal for 'forced savings.'" The "Daily Worker" reprinted the "Variety" article, but without comment.

An article in "Business Week" expressed the view that to build up the sale of Defense Savings Bonds the Treasury is banking on the check-off system. After noting that "several companies already have inaugurated payroll-deduction plans," the article went on to say: "More pressure salesmanship undoubtedly will be applied. Repeated official statements that no compulsion will be resorted to merely mean that no legal compulsion is contemplated."

June conventions of various organizations, ranging from bankers' associations to the Missouri Federation of Post Office Clerks, have heard speakers on the subject of Defense Bonds and Stamps, and have passed resolutions pledging all aid and support

to the program. The bankers' groups -- including the North Dakota, Idaho Bankers' Association, Utah, and Kentucky Bankers' Associations -- all considered the Defense Savings program and its possible usefulness in checking inflation.

The "Biggest Syndicate"

The Information Section of the Defense Savings Staff recently devised a "Defense Bond Quiz" for newspaper use, and sent letters to every daily and weekly newspaper and every trade publication, requesting that the Quiz be published in the news columns. The response has been so great that the Treasury now commands the biggest feature syndicate in the country.

Even the Russo-German war news, which last Monday crowded many national and local news stories out of the newspapers, did not keep the first announcements of the daily quiz from appearing in all parts of the country. By Tuesday the first installment was being carried in hundreds of metropolitan and small town dailies, and even by financial papers and the foreign language press. So far, 2,400 newspapers have assured the Treasury that they will gladly publish the quiz, and acceptances continue to pour in at a rate of 500 a day.

The sporting pages give evidence of a growing habit among baseball players, golf champions, prize fighters and speedway kings, of accepting Defense Bonds instead of cash prizes, or of buying Defense Bonds with a part of their well publicized cash earnings. Much of this activity has been prompted by the Information Section of the Defense Savings Staff.

In the same way, public interest has been caught by the awarding of Defense Bonds to top-ranking students at Benjamin Franklin University and other schools; by the investment in Defense Bonds of the earnings of 1,600 prisoners at a Virginia penitentiary, and especially by the purchase of Defense Savings Stamps by Mr. and Mrs. William Andrew White of Washington and seventeen of their eighteen children.

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For your information.

July 3, 1941.

To Ferdinand Kuhn, Jr.

From Alan Barth

REACTIONS TO THE "CRUSADE"

Hitler's Holy War has picked up no more than a handful of crusaders in the United States. Save for the extreme right, already camp-followers of his caravan, the American public has given only boos and jeers to the Nazi pretense that it is saving the world from Communism. The rightists who fell for, and into, the Nazi line are offset by the leftists who have suddenly enlisted in the war to save the world from Fascism.

The overwhelming majority of the American press continues to insist staunchly that the problems raised by the Russo-German war are military, not ideological. This attitude, it should be noted, is conditioned upon the expectation of disaster for the Red armies. While there are few illusions about the purposes of the Nazi drive to the east, there is a latent uneasiness over the possible spread of Communism after the war. Americans hope for a German defeat without a Russian victory.

Center

Secretary Knox, speaking before the Governors' Conference at Boston, said precisely what the more strongly interventionist newspapers have been urging feverishly since the outbreak of war on the new front. This segment of the press is dissatisfied with the pace at which the Administration has moved. Commenting on the tenth day of the Nazi-Soviet conflict, The New York Herald Tribune remarked: "The British, with their crescendo of bombing, are making every use they can of the fleeting opportunity. The United States has done nothing. This inaction means ten days already wasted when every hour counts. This is no 'breathing spell'; it is the supreme moment for action."

A similar impatience is expressed by The New York Post, by P.M. and, with slightly more restraint, by The New York Times. A number of important newspapers in the south also feel that now is the time to shoot the works. Other influential dailies, such as The Christian Science Monitor, The Philadelphia Record, The Baltimore Sun, The Chicago Daily News, The San Francisco Chronicle desire vigorous action. The Nation and The New Republic add their liberal voices to these pleas. A desperate feeling of urgency marks the comment of all of them on the passing of time.

Most of these papers naturally applauded Mr. Knox. But they did so somewhat despondently, recalling that the President ignored his commendation of convoys some weeks ago. Mr. Roosevelt's refusal to comment on this latest proposal of his Secretary of the Navy brought most commentators to the conclusion that it was just another trial balloon.

The majority of newspapers merely urge accelerated activity against the Axis without specifying the form which it should take. In general, there has been approval of the decision against invoking the Neutrality Act in the Russo-German war and of the offer of material assistance to the Russians. But there is a manifest preference for helping the Russians via Britain. Numerous commentators express the fear that the Soviet Union is destined for a quick collapse and that aid sent to it from America may fall into German hands. The off-the-record appraisal of Soviet chances made by United States Army experts did nothing to allay this pessimism, although it did serve, perhaps, to quash the notion that the extension of the war could be counted upon to keep the Reichswehr occupied for a long time.

Russian retreat and the triumphant German communiques from the eastern front have added to the disheartenment. Some observers are uneasy lest the "now or never" feeling give way to an attitude of resignation toward German domination of Europe.

Right

Isolationists and the anti-democratic groups allied with them have been making what capital they can out of the fiction that the Nazis are saving the world from Communism. Through Father Coughlin's Social Justice and The Tablet, organ of the Rev. Edward Lodge Curran, they have made their influence felt in some degree among Catholics.

Despite strong Catholic antipathy toward the Soviet Union, certain of the more liberal groups within the church have aligned themselves with Bishop Hurley who said recently: "Today the first enemy of our humanity, killer of our priests, despoiler of our temples and foe of all we love both as Americans and Catholics is the Nazi."

Last Sunday's radio broadcast by Pope Pius XII discussing Catholic attitudes toward the war no doubt did a great deal, by its studied failure to endorse the Nazi "crusade",

to check any drift of Catholics into the fascist column. A moderate Catholic publication, The Universe Bulletin, condones British policy toward the Soviet Union by comparing it with that of a drowning man who "grasps at the first life preserver that is tossed from a providentially nearby boat." But it finds satisfaction in the fact that Prime Minister Churchill did not call Russia a formal ally. "This war," it observes, "may well mean the overthrow of the brutal anti-God government in Russia. If that day comes then God-fearing nations will be free to seek an alliance with a liberated Russia. But until then what nation that treasures honor and respect can call the Soviets an ally?" Catholics of Irish and Italian extraction are, of course, subject to diverse emotional influences in their sentiments toward the war. It seems unlikely that the weight of the church will be cast fully upon either side.

Left

The sudden turnabout of American Communists represents no conversion to British or American partisanship in the war. They are interested exclusively in the preservation of the Soviet Union.

This is the basis of Communist consistency. In singularly arrogant statements of the party line respecting the war, The Daily Worker and The New Masses continue to insist that Britain is battling only for imperialist interests, while the workers' fatherland is defending "the new civilization."

There is bitter resentment that the calculations of the late Neville Chamberlain have at last born fruit. Prime Minister Churchill, who is held to be of the same stripe as his predecessor, is deeply distrusted by the Communists; they fear that Hitler's "demonstration of 'works' against socialism will regain him 'faith' of the international bourgeoisie."

While the domestic Communists clamor for effective American assistance to the Soviet Union, they have launched as yet no demand for this country's participation in the war. "The people of this country want to remain at peace," remarks The New Masses, "and that is possible and necessary." So far, at least, the Communists have displayed a cocky confidence that they can lick the Nazi invaders singlehanded.

For your information.

July 3, 1941.

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS OPINION ON TAXES:
REACTION TO COMMITTEE BILL

Two opinions are found in almost all editorial comment on the Ways and Means Committee's personal income tax proposals: (1) that the failure to broaden the base is a major defect in the bill, and (2) that the proposed taxes are very severe even though smaller in the lower brackets than the Treasury requested.

On the subject of a broader base, most editorials take this line: persons below the present exemption levels ought to make direct tax payments in this emergency, in order to have a feeling of sharing in the defense program and to acquire an interest in federal fiscal affairs; too much of the proposed tax burden falls on individuals with "moderate" incomes; the fact that steep surtaxes apply to the first dollar of income above the personal exemption makes more pronounced the discrimination in favor of persons now exempt from the income tax; the Committee is guilty of playing

politics with an important issue and only refrains from reducing exemptions out of fear of losing votes.

Along with remarks on the severity of the new taxes there are frequent admonitions to taxpayers that they should begin to plan now how to meet their tax bills. Careful budgeting will be required of lower-bracket incomes, it is said. Anticipating the Treasury's announcement of details of its tax-prepayment plan, many papers have remarked on the need for such a plan and praised the Treasury for preparing it.

Excises

As OPACS runs into difficulties in its price-control program, interest has mounted in measures to prevent inflation. Price control occupies the center of attention, but the importance of taxes is recognized. Business Week suggested that OPACS and OPM prepare lists of consumer goods, consumption of which should be or will be curtailed, and use such lists as a basis for working out schedules of excises.

The New York Times recently outlined a program of excise taxation similar in principle to the Henderson-Eccles excise suggestions, and called for (1) minimum taxes on necessary and useful articles of which there is no shortage;

(2) maximum taxes (consistent with a revenue-raising purpose) on luxuries not competing with defense; and (3) taxes sufficiently heavy to discourage consumption of durable consumer goods competing with defense.

No comment is yet available on the list of excises tentatively agreed upon by the Committee.

Labor and Inflation

In line with labor's attitude on the danger of inflation, described in last week's report, Philip Murray's article in the June 28 issue of "The Nation" scouts the idea that the nation faces a serious shortage of consumer goods, with consequent inflation. He sees no need for living standards to be lowered and attacks tax proposals which have promoted as inflation curbs - taxes on low incomes and "deferred pay" plans.

For your information.

July 11, 1941.

To Ferdinand Kuhn, Jr.

From Alan Barth

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THE NEW RAMPARTS

Defense

Newspapers found drama in the occupation of Iceland; they handled the news with banner headlines. But most of them seemed to miss the vital significance of the event; their editorials hailed it as of paramount importance to American defense without recognizing in it any radical departure from the preceding short-of-war pattern.

A few commentators, however, saw in the landing of naval forces on foreign soil a genuine casting of the die, the commencement of undeclared war against Nazism. These few took literally the passage in President Roosevelt's message to Congress about the meaning of which Secretary Knox observed, "There's no room for any doubt."

Most newspapers -- especially those which have most ardently exhorted the President to make immediate use of the United States Navy to win the Battle of the Atlantic --

failed to grasp the full implication of his words: "As Commander-in-Chief I have consequently issued orders to the Navy that all necessary steps be taken to insure the safety of communications in the approaches between Iceland and the United States, as well as on the seas between the United States and all other strategic outposts."

There were several causes for the editorial uncertainty over the President's intent:

(1) The period of inaction which succeeded Mr. Roosevelt's forceful declaration of national policy on May 27 induced doubt that his words would be translated into deeds. As The Washington Post remarked, the occupation of Iceland is "the first implementation of Mr. Roosevelt's fireside address."

(2) At a recent press conference in Hyde Park, the President reiterated the hope that the United States can keep out of war. His remark dampened the expectations of those who had already abandoned this hope and sought full-scale American intervention.

(3) The President's refusal a week ago to comment on Secretary Knox's plea for immediate use of the Navy led to the supposition that he disapproved of such a course.

There has been almost universal endorsement of the move into Iceland as a measure of defense. Even isolationists, judging from the temperance of their comments, found it difficult to cavil at the safeguarding of this strategic outpost. Indeed, the general reaction indicates that the country has been all but completely won over to the principle of dynamic defense which the President advanced in his last fireside talk. The public seems, at last, to have fully grasped the concept that defense, unlike charity, begins far from home.

This thesis having been accepted, the strongly interventionist newspapers now urge a further extension of it. They suggest occupation of a wide variety of defense vantage points all the way from Ireland to Dakar.

Anxiety

Critics of the Administration have found ammunition for fresh attacks in certain recent statements from British sources. Generals Wavell and Auchinleck were quoted in news despatches a few days ago as foreseeing a need for American manpower. In addition, Prime Minister Churchill's assertion that British troops would remain in Iceland along with American marines was looked upon as heralding joint military

action by the two countries. Such possibilities have provoked some degree of uneasiness among moderate commentators.

In this connection, there has been rather sharp division of opinion respecting the amendments to the Selective Training Law recommended by General Marshall. The strongly interventionist papers have endorsed his proposals; the isolationist press has condemned them as preparatory for an American Expeditionary Force. The bulk of the comment on the subject has been rather inconclusive, yet suggestive of certain misgivings. There appears to be a rather widespread misconception that the law pledged the Government to require of men selected no more than a single year of service. The General's request for a lifting of the prohibition against the use of draftees outside the Western Hemisphere has occasioned some concern in the light of recent demands for a British invasion of Europe from the west.

Action

President Roosevelt's action in reaching an understanding with the Prime Minister of Iceland has been assailed on constitutional grounds by a minority of newspapers. It is the contention of these critics that the understanding amounted to a treaty and therefore required ratification by the Senate.

Most commentators, if they alluded to this aspect of the matter at all, seemed to regard it as wholly academic and to be relieved that the President had made it so.

In an address delivered just prior to announcement of the Iceland decision, Bishop Hurley of Florida raised this academic question in general terms by proposing that the President exercise powers in the emergency without regard to Congress. This is a proposition with which editorial writers find it difficult to agree in the abstract. Yet the great majority of them have managed to endorse the President in every instance when he has taken decisive action on his own initiative. The record supports a shrewd observation made in a recent column by Mr. Walter Lippman: "Experience has shown that the people have been reluctant to approve the necessary measures while they were being discussed theoretically but that they have approved overwhelmingly the specific measures when actually undertaken." The American people appear to regard strong leadership now as synonymous with vigorous action in the direction which they are clearly determined to take.

For your information.

July 11, 1941.

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS OPINION ON TAXES:
TAX-ANTICIPATION NOTES

The Treasury's tax-prepayment plan has had a very favorable reception in the press. It was given wide publicity in news columns but so far there has not been much editorial comment outside of Eastern city papers. Almost all papers which have commented have been enthusiastic. These merits are seen in the new plan: (1) a convenient method for taxpayers to meet their increased income tax bills; (2) a steady flow of revenue into the Treasury; (3) less need for the Government to rely on borrowing; (4) a check on inflationary tendencies by reducing purchasing power available for consumer goods.

The tax-anticipation certificates are regarded as especially attractive to corporate taxpayers. The Washington Post expressed a doubt whether small taxpayers would take full advantage of the certificates.

The Chicago Journal of Commerce struck almost the only sour note. The Treasury's plan, it intimated, was devised solely for the benefit of the Treasury, not for the taxpayer. Provision for payment of taxes could always be made by farsighted taxpayers, this paper said. The Treasury's eagerness to collect the money now was simply a sign of the parlous financial state into which New Deal fiscal policies have brought us.

Joint Returns

The Ways and Means Committee's proposal to require joint returns from married couples has become the villain of the piece in the eyes of many editorial writers. It has almost replaced the failure to broaden the tax base as the No. 1 defect of the new tax bill. The most extravagant charges are made against the proposal: it will break up homes, encourage living in sin, place the married woman in the status of a chattel, and nullify state constitutions which provide for the community-property system. Papers in community-property states have been particularly vociferous. Their fire centers on the alleged invasion of states' rights.

The "feminist" argument is stressed in other papers. Typical of these comments is the New York Herald Tribune's statement that "so far as the legal, social and economic position of women in America is concerned", the joint return "would turn the clock back a hundred years."

A lonely voice raised in support of the measure is that of the Washington Post. It remarks that a marriage based on mercenary considerations is not worth worrying about, that no question of women's rights is involved, and that family income is a realistic measure of ability to pay. It also points out the error of reports that the requirement would add to the taxes of those in the low brackets.

Recently there have been widespread newspaper reports that the Committee will reconsider its joint return proposal because of the volume of protests. Some editorial writers have observed cynically that Congressmen whose wives have independent incomes may push such "reconsideration."

Excises

The cry of "Politics!" has greeted the Committee's excise tax proposals as well as its income tax recommendations. Editorial comment has stressed that the

excises should reduce consumption of durable goods as well as raise revenue. This, it is said, the Committee's bill fails to do. Such comment shows that the Henderson-Eccles proposals made a strong impression. The Committee has also been criticized for passing up such revenue-producers as tobacco, gasoline, and beer, and compiling instead a heterogeneous list of excises bearing little relation to defense needs.

The 7% car tax has had a mixed reception, some papers welcoming the comparatively light tax on the grounds that car-owners have already been discriminated against, while others favor a higher tax as a means of discouraging purchase of cars. With regard to taxes on other durable consumer goods, the press has generally agreed that the Committee failed to tax such goods heavily enough.

The announcement of the Committee's complete list of recommendations for taxes to raise \$3½ billion was the occasion for a general review of the tax program in many papers. No one is satisfied with the result. Conservative papers hit the failure to tax low incomes more heavily in the form of income taxes or excises; the liberal

press condemns the Committee for making hash of the Treasury's EPT plan and relying too heavily on excises.

Collier's Survey

A recent survey conducted by Collier's Magazine reported that 82% of those canvassed (10,000 persons in 47 states) favored a pay-as-we-go policy in financing national defense. 60% of these favored reliance on sales taxes to raise the money, 22% favored taxes deducted from wages, and 13% favored the income tax. The survey has revived hope among those papers which have advocated a general sales tax. In the poll's result they see a clear invitation to Congress to consider such a tax.

For your information.

July 11, 1941.

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE SAVINGS: GUNS OR BUTTER?

Newspapers in increasing number are taking the stand that people must be prepared to "do without" for National Defense. In order to build a barrier against inflation, it is being argued that consumers must buy more Defense Savings Bonds and less of other things, such as household appliances. It is noted that in this country there may well be a shortage of household appliances, just as there was a shortage of butter in Germany.

Some financial and editorial writers have pointed out that there is a tendency among consumers at this time to buy ahead. According to the Baltimore Evening Sun "there is plenty of evidence to prove that householders are storing staple food products; also that they are buying those semi-luxuries whose production and cost may soon be affected by Government priorities and by the excise taxes in the pending tax bill."

Other newspapers have expressed concern because people seem to be buying Defense Savings Bonds out of their savings, rather than out of their earnings. The American Banker says that what is urgently needed is a campaign to have the public buy Defense Bonds out of current income. The Journal of Commerce points to increased activity on the part of the Defense Savings Staff of the Treasury, and notes that such a campaign for regular, systematic bond-buying is in progress. The Washington Post editorializes: "Now the problem is shown in its true dimensions -- how to tap income. Those current savings constitute the reservoir which the Government needs. Moreover, by tapping that income, the Government would succeed in accomplishing another purpose, namely, applying checks upon current consumption."

In some localities where June sales of the Series E Bond held up or even increased, financial writers say this is a sign that by selling these bonds to small investors the Government is selling to the very people who would otherwise spend the money on consumer goods.

Few, if any, newspapers have confused the kind of inflation that the Treasury is attempting to check with the type

that occurred in Germany after the World War. On the other hand, many papers, even such small dailies as the Woonsocket (R. I.) Call, have attempted to educate their readers as to the meaning of inflation. There has been no evidence of panicky writing on the subject in any newspapers.

Magazines Cooperate

The ruddy babe in the Uncle Sam hat who a week ago peered out from the red, white and blue cover of the Sunday supplement, "This Week," reminding 7,000,000 readers that they should buy United States Defense Bonds, was the most recent contribution to the Defense Savings program from the magazine field. From the very beginning the magazines have shown a willingness to cooperate.

The Defense Savings program had hardly been launched when another big-circulation publication, Collier's, advised its readers through an editorial to buy Defense Bonds. A little later the Reader's Digest contributed a full back page featuring the Minute Man and an appeal from Secretary Morgenthau, and early in June Liberty published a featured article entitled "The Real Purpose of Defense Bonds."

In addition to these "general reader" magazines, all sorts of special-purpose publications have carried articles and promotion pieces on the Defense Savings program. The official magazines and news letters of various organizations cooperating with the program have given a great deal of space to it. These include the American Legion's "Legionnaire" and the Knights of Columbus' "Columbia". In addition, trade journals and house organs constitute another publications group that is beginning to carry articles and advertisements on Defense Savings.

To Ferdinand Kuhn, Jr.
From Alan Barth

*file
personal*

For your information.

July 18, 1941

EAST AND WEST

Threats

Editorial interest has swung suddenly to the Far East. Ominous rumblings from Tokyo, the change in the Japanese Cabinet and the new conditions created by the Nazi-Soviet war have led to general expectation of some sort of showdown in the Pacific.

The attitude of the American press toward the Japanese appears to be a compound of distaste, irritation and scorn. The recent fourth anniversary of the commencement of the Chinese-Japanese conflict provided the occasion for a great eruption of editorial comment on oriental affairs. Almost all of it paid tribute to Chinese courage, leadership and democratic aspirations, depicting the invader as cruel and barbarian. American editors find it difficult to see civilization shattered by the bombing of Chungking in quite the same degree as by the bombing of London. Nevertheless, if they fail somewhat in sympathy for the yellow men of China, they make up for it abundantly in antipathy for the yellow men of Japan.

And most American commentators have now come to understand clearly the kinship between the eastern and western wars. Japan, they recognize, possesses a certain nuisance value to the Axis. Its function in Axis strategy is to immobilize the bulk of the United States Navy in the Pacific. It is upon this fact that their irritation is founded.

Japan's venture into China is commonly portrayed by a cartoon which shows a Nipponese soldier advancing into swamp-land and sinking deeper into mire with each step forward. The prevailing editorial judgment is that four years of warfare have exhausted the Japanese, undermined their economy and revealed them as a second-rate power. Editorial contempt for Japan is not without a touch of chauvinism. A great many commentators cherish the conviction that the American Pacific fleet could polish off Japanese sea power between daybreak and breakfast -- with the Atlantic fleet tied behind its back, at that.

The Nazi-Soviet war is generally regarded as weakening, rather than strengthening, Japan's position. It came, according to most of the editorial writers, as a distinct shock to Matsuoka who had been bamboozled by the Germans into signing a non-aggression pact with Stalin. The Japanese, it is held,

have no appetite for seeing Siberia controlled by the Nazis. If they now undertake an offensive against the Russians from the east, the belief in this country is that it will be essentially an anti-Axis move -- an attempt to check the spread of Nazism to the orient.

But the prevalent editorial opinion is that the Japanese do not dare to assail the Soviet eastern armies, that their saner leaders have no relish for serving Germany by provoking British and American naval action in the Pacific, and that the current Cabinet crisis has arisen over uncertainty as to which horn of the dilemma is preferable. The most commonly expressed prediction is that the Japanese will choose to move southward only against French Indo-China and Thailand, waiting for a more favorable turn of events before risking a direct challenge to Russian or American strength.

On the basis of this diagnosis, the press is, for the most part, opposed to any appeasement of Japan. Liberal publications have long stridently condemned American shipments of oil and steel to the Japanese; they advocate the most rigorous economic pressure. Most conservative commentators point less vehemently to the paradox of aiding China while supplying her enemy with war materiel; some of them suggest, but do not define,

concessions which would permit the Japanese to save face in exchange for a more friendly attitude toward the United States.

Those newspapers which oppose effective American intervention in the Atlantic have seized upon the fresh indications of Japanese belligerency as an argument for keeping the bulk of the American navy in the Pacific. The majority view, however, is that this would be merely playing the Axis game and that American air power combined with a portion of our Pacific sea power will suffice to keep the Japanese within bounds.

Peril

Modification of the amendments to the Selective Training and Service Act originally proposed by General Marshall has disarmed much of the criticism directed against them. It was the request for permission to use draftees on foreign soil that occasioned the early outburst of alarm. With the deferment of that request and with the General's assurance that he was planning no expeditionary force, the majority of the press turned to his support.

Interventionist papers point out, indeed, that the Administration has now forced a decidedly awkward choice upon the isolationists. Since the latter have argued that the United States ought to rely exclusively on its own strength, they cannot,

with any consistency, oppose a measure designed to bolster the army, particularly when the Chief of Staff has declared the bolstering to be essential to national security.

Critics of the Administration revert, consequently, to their antique contention -- that an emergency does not exist. They ask querulously what danger threatens the country sufficiently to warrant so drastic a step as keeping men in uniform for more than a year.

Most commentators, however, recognize clearly enough the reality and the imminence of the danger. And, now that they have had a chance to read through the clauses of the Service Law, they recognize also that no breach of contract is involved in requiring drafted men to remain in service if the Congress declares "that the national interest is imperiled." They think it high time for the Congress to acknowledge the facts of contemporary life.

For your information.

July 18, 1941

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS OPINION ON TAXES:
JOINT RETURNS UNDER FIRE

The press campaign against mandatory joint income tax returns has gained momentum. The opposition was slow in developing, but in the past two weeks it has become increasingly strong. Editorial writers on this subject have not only been vehement, but their opposition has taken them on flights of rhetoric unusual in tax discussions.

Organizations and public figures who have issued public statements criticizing the plan include: Wendell Willkie ("a proposal out of the dark ages"); Bishop Manning (the proposal is an encouragement to "divorce, celibacy, a mercenary attitude toward intended marriage and, in general, a lower birth rate"); John W. Hanes ("a cowardly attack on a disenfranchised group"), the New York State Bar Association, California State Chamber of Commerce, Merchants' Association of New York, the National Women's Party, and the Women's Press Club of New York.

The pro-Administration weeklies -- the Nation and the New Republic -- are split on the issue. The Nation regards the

joint return requirement as the only constructive action taken by the Ways and Means Committee, while the New Republic assails it as "an unjust penalty on those women who have achieved financial independence, as well as those married couples who live separately."

Newspaper columnists who have criticized the proposal include Arthur Krock, David Lawrence and Frank Kent.

Most prognosticators seem to think the joint return provision has a fair chance of success in Congress. Kiplinger predicts its enactment after a tough battle led by community-property state Representatives. The Wall Street Journal thinks it must be defeated in the House if it is to be defeated at all.

Excess Profits Taxes

Reports of the President's support of the Treasury's EPT plan received wide publicity in the press, but no editorial reaction is available. The newspaper stories on the subject generally predicted failure for any campaign to secure Committee endorsement of the plan. By their very silence, the editorial writers seem to show their confidence that the Treasury's proposals will not go through. There would almost surely be a

flood of warnings from the conservative press if there were the slightest chance that such a plan would succeed.

Tax Anticipation Notes

Editorial comment has continued favorable on the Treasury's tax-anticipation plan. Throughout the country it has been welcomed as advantageous to both Government and taxpayer. A very few papers have been critical, saying (1) it is unwise for the Government to anticipate its tax revenues, (2) the interest rate is not sufficient to induce purchase of the notes by smaller taxpayers, or (3) the advantages are all on the Government's side, and the plan doesn't give farsighted taxpayers any advantages they didn't already have. Such sour notes, however, are rare, and the general tone is definitely approving.

Non-defense Spending

The press has hailed the formation of the Citizens Emergency Committee on Non-defense Expenditures, headed by President Wriston of Brown University. Its creation provided the spark for another broadside at failure of the Federal Government to effect substantial reductions in non-defense spending. Editorial writers wish the new Committee success, and hope it will find an effective political technique of accomplishing its announced purpose.

Excises

The various proposed excises which will affect car-owners have been a favorite target of editorial writers. There is little press support for a 15% or 20% tax on automobile sales, especially in view of the \$5 use tax and other taxes affecting the cost of operating and maintaining a car.

Papers have stressed the wide application of the new proposed excises. "No one will escape" is a common comment in news stories and editorials.

For your information.

July 24, 1941.

To Ferdinand Kuhn, Jr.

From Alan Barth

DEEPENING EMERGENCY

Warnings

Events in South America have sharpened the editorial awareness of imminent danger. Few newspapers doubt the influence of the long hand of the German Government in the fighting between Ecuador and Peru and the abortive Nazi putsch in Bolivia.

Trouble is anticipated in other Latin American republics as well. The fact that the Nazis are making the effort to brew it has been widely accepted as proof of an intention to assail and encircle the United States. A German thrust into Spain and Portugal, accompanied by seizure of the Atlantic islands belonging to these countries, is feared by many commentators. Most of them insist that this nation must act vigorously to prevent such occurrences.

Some of the strongly interventionist newspapers continue to urge occupation of additional Atlantic outposts; the prevailing view, however, is that such action involves strategic

considerations which can best be determined by the competent authorities. There was general approval of the blacklisting of Axis-influenced business concerns in Latin America. Few demurred at the stringency of the order. The reaction of our neighbor governments was considered, in the main, quite satisfactory. Bolivia's dismissal of the German Minister was taken as a hopeful sign of cooperation to the south.

The fear of new disturbances in Latin America was heightened by General Marshall's enigmatic suggestions of danger in his testimony on the Selective Service Act. The General's warning swelled the demand for a congressional declaration of emergency. Indeed, the sense of emergency appears to be growing among press and public. Along with it is an increasing conviction that the choice between war and peace now depends upon events beyond American control.

The feeling is that the Germans are likely soon to take steps which the United States cannot fail to oppose. The majority view seems to be in full agreement with General Marshall's observation that "a state of war can best be avoided by recognition of the emergency."

Impatience

There has been a marked stiffening of editorial attitudes toward countries which are fellow-travelers of the Axis. The term "appeasement" has been revived and applied rather liberally to concessions which the State Department has granted to doubtful governments. A recent speech by General Franco, in which the United States was taken to task for attempting to wean Spain from the Axis, grated harshly on American editorial ears. Most commentators regarded it as an object lesson in the futility of trying to win fascist friends and influence dictators.

The shipment of oil to General Weygand in Africa was also roundly deplored by liberal and strongly interventionist newspapers, although a few observers considered it diplomatically sound. But the prevailing feeling is that Weygand is beyond redemption and that the oil may fuel bombing raids on British or Free French forces.

The shipment of oil to Japan is condemned in a growing number of editorial pages. The latest intimations of fresh Japanese designs on Indo-China have evoked a considerable demand for stringent economic sanctions by the United States. It seems noteworthy, in this connection, that the major oil companies which have been carrying on business with Japan have

engaged in publicity campaigns to persuade the public that these dealings were endorsed by the Department of State.

Hesitation

Russian resistance to the Germans has proved more formidable than the American press expected. As the conflict on the eastern front moves along into its second month, with British air raids on Germany continuing from the west, editorial writers over here have permitted themselves the hope that the Hitlerian timetable may be seriously deranged.

It has been suggested in news despatches from abroad that a part of the Nazi strategy is to enlist assistance from the western world by raising the spectre of a possible Communist triumph. To most American commentators the possibility seems too remote for serious concern. Some suggest that if it should be realized, the Red Army will be a good deal easier to handle than the Reichswehr. The great majority continue steadfastly to point out that, in any event, Hitler is public enemy number one. Only a few, in addition to those who have consistently echoed Berlin's philosophy, appear to have been taken in by this latest stratagem of terror.

But there is a general reluctance to join hands with the Soviet Union. Editors feel obliged to keep reminding their

readers that aid to Russia signifies no sympathy with Communism. A great many of them have been at pains to argue that, despite Prime Minister Churchill's unequivocal words, the Anglo-Russian alliance is not really an alliance at all; they insist, at least, that it constitutes no alliance with Communism. Such protestations suggest, perhaps, the existence of soil in which, under certain circumstances, the Nazi doctrines might take root. They are not likely to do so, however, so long as German arms are in the ascendant and so long as Hitler is the leader of the crusade.

Psychology

American newspapers have applauded the inauguration of Britain's V-for-Victory campaign, despite a certain degree of skepticism as to its effectiveness. Most editors seem to feel that it can't do any harm and may do a great deal of good.

There is a broadening recognition of the fact that democratic propaganda has been wholly inadequate. In the light of totalitarian boasts that theirs is a "new order," the democratic way of life has been allowed to seem somewhat shoddy and old-fashioned. Liberal critics have been urging for some time that the case for democracy be stated in dynamic and hopeful terms.

It is generally believed among American editors that conquered Europe -- and even parts of Germany -- desires freedom. The expectation of revolts against Nazi domination has grown somewhat dim; yet eventual rebellion is regarded as a prerequisite of final victory. One important job now, it is argued, is to hold out to the subject peoples of Europe the hope of liberation on which rebellion may be nourished.

A number of commentators complain that the United States has done too little toward this end. The New York Herald Tribune, commenting on British efforts, says of this country that, "Preoccupied with the defensive attitude, it has done little to fill such symbols as the 'V' with the positive promise of what a democratic victory will make possible in terms of human welfare." More vigorous and forthright American intervention is seen as the most effective anti-Nazi psychology.

For your information.

July 24, 1941.

To Ferdinand Kuhn, Jr.

From Herbert Merillat

PRESS OPINION ON TAXES:
TAXPAYERS' MORALE

After several months of editorial consideration of various tax proposals, it is possible to make some appraisal of public willingness to accept the proposed tax burdens, as reflected in editorial comment.

The most usual editorial reaction to the Ways and Means Committee's proposals, in metropolitan and country-town papers alike, has been an involuntary cry of pain, followed by an expression of willingness to accept any fair tax burden in the interest of national defense. Quite apart from alleged inequities in the distribution of the burden, the total revenue goal has generally been regarded as "staggering", but justified. A truculent tone has been sounded only in relatively few papers which are bitter critics of the Administration's foreign and domestic policies.

The need for substantial increases in tax revenues has been universally recognized. The Treasury formula -- to raise 2/3 of the funds necessary for federal expenditures by taxes,

1/3 by borrowing -- was originally hailed as a sound one and there has been no substantial quarrel with the revenue goal of $3\frac{1}{2}$ billions fixed under that formula. It is perhaps significant, however, that there has been little press demand for a greater revenue yield since it became apparent that $3\frac{1}{2}$ billions would not be adequate under the formula. A few editorial writers and commentators who have followed the development of the tax bill with closest attention have expressed alarm at the inadequacy of the proposed taxes to cover 2/3 of federal expenditures in the fiscal year 1942. John T. Flynn, the New York Journal of Commerce, the New Republic, and the Nation, are in that group. The vast majority of papers, however, have expressed no concern over abandonment of the formula and have shown no disposition to call for a tax burden heavier than that provided by the Committee bill.

Likewise the President's remark that higher taxes will be necessary year after year was accepted as inevitable, but did not evoke a suggestion from the press that the problem be faced now by increasing taxes still further.

In brief, the typical editorial reaction to the prospect of new taxes to defray defense costs has been something like this:

a protestation of willingness to pay higher taxes;
considerable dismay when the form of the new taxes
actually has become known;

reluctance to face the fact that the taxes may be in-
creased even more in the near future, and

bitterness that taxpayers should be called upon to
make greater sacrifices when the Federal Government
does nothing to cut non-defense expenditures.

For your information.

July 24, 1941.

To Ferdinand Kuhn, Jr.

From Helen Dallas

DEFENSE BONDS: THE COUNTRY LIKES THEM

From New York City to Tacoma, Washington, there is unanimity among early newspaper reports of local July sales to the effect that Defense Bonds and Stamps are going well -- much better than they did in June. In New York City last week four metropolitan newspapers reported that preliminary tabulations for the month showed an "exceedingly heavy" demand; in Tacoma the local postmaster said, "Oh, fiddlesticks with the percentage; but anyway they're showing a mighty tidy gain."

Reports similar to these have come from such widely-scattered areas as Montana and Missouri, Ohio, South Carolina and Texas. Indications are that when the last returns for the month are in, they will show a substantial upturn.

In the meantime editorial writers increasingly are using Defense Savings as a morale builder. Recurringly their theme, while optimistic, is: "Don't expect that it is going to be easy to win this war for freedom. America is big and America

is strong, but America needs your help. Buy Defense Savings Bonds." A spectacular development of this argument was made by the Detroit Free Press in a special 22-page section, which told the story in pictures and text -- of what America has done in the past and what America must do to preserve itself in the future.

Other newspapers continue to discuss Defense Savings in relation to inflation. Consumers are urged to refrain from buying unnecessary goods with their current incomes, and to buy Defense Bonds and Stamps instead. Official consumer approval was given this argument this week by Miss Harriet Elliott of the Office of Price Administration and Civilian Supply who said that "if there is real need for a car, a refrigerator or a washing machine, the consumer should get it, but if not, the money should be put into Defense Bonds."

In connection with inflation, only two editorials of all of those examined paid any attention to the suggestions of A. F. of L. President William Green and several New York financial writers who last week urged "enforced savings" as a means of holding down consumer purchasing power. The Baltimore Sun pointed out that "while talk of 'enforced savings' for defense continues to be heard in the National

Capital, Baltimore banks and other institutions having Defense Bonds on sale report that voluntary purchases of these issues continue to be made in satisfactory volume in this area." In St. Louis the Post-Dispatch took issue with the supporters of compulsory thrift: "Instead of trying to sell such a will-o'-the-wisp panacea against depression, why not continue the forthright offer of these bonds? Is there any reason to question the patriotic response of the people?"

Sales Promotion

In the states that pioneered in local participation in the Defense Savings program, there are indications that the promotion of Bonds and Stamps is now reaching down into the smallest communities.

In Michigan, for example, what started out to be hit-or-miss cooperation on the part of retail stores in the selling of Defense Savings Stamps, has now emerged as a state-wide plan by which all of the chain stores and most of the independents are handling the Stamps. If over-all retail store cooperation proves successful in Michigan, it will be tried in other states.

There is newspaper evidence that such "pioneer" states as Texas, Connecticut and South Carolina are among those in

which employee salary-allotment plans have cut horizontally through plants and industries, with almost every skill and trade represented in a group plan. Recently in Texas workers on the Lake Worth bomber plant project announced that they were 100 per cent subscribed to national Defense Bonds.

It is not surprising that in these states, the first to be organized, some frills in promotion should have made their appearance. Defense Stamp chain letters have turned up in some localities, and have in turn been barred from the mails. A Missouri telephone company has issued instructions to its operators to say a word for Defense Bonds when they take calls over non-dial telephones. In Fort Worth, Texas, a mechanical service for the "correct time" adds a plug for Defense Savings.

The progress of the Defense Savings program in the second group of states to be organized for the sale and promotion of Bonds and Stamps is also traceable in newspaper clippings from those states.

From Florida comes news that county governments are investing in the Bonds, and from Washington a story that the State Government is buying up to the limit allowed by law. In Jackson,

Mississippi, patriotically decorated booths "manned by young Jackson matrons" have been set up in department stores as outlets for stamps. In Massachusetts the use of Defense Stamp machines is urged. In New Jersey, gasoline station operators plan to sell stamps.