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Treasury Dept.: Morgenthau

Editorial Opinion Rpts.  
Mar. 6 - May 1, 1942

*The Secretary of the Treasury*

*file* For your information

March 6, 1942

To Ferdinand Kuhn, Jr.  
From Joseph Melia

EDITORIAL COMMENT ON TAXES:  
SO FAR, SO GOOD

The press agrees with the Treasury that total war requires total taxation. Almost without exception, editorial writers commend Secretary Morgenthau for aiming at such a realistically high tax goal. And as reflected by their initial reaction to his specific tax proposals, they find no cause to complain over the recommendations to double personal income taxes and drastically increase the taxes on corporate profits.

This agreement with the Treasury's tax policy, however, is somewhat of the "yes--but" variety. While they do not call for a trimming of the suggested new tax schedules, many newspapers throughout the country angrily attack the Treasury for refusing to broaden the tax base. They insist that the anti-inflationary aspects of the new tax program will be endangered unless a general levy on sales is imposed or exemptions lowered. There is also widespread opposition to the Secretary's recommendation to tax the income from state and municipal securities and to make mandatory the filing of joint returns.

Yes--

As yet, editorial writers express no doubt that we can and must increase taxes by nine billion dollars this year to check inflation and help finance the war. Drastic levies on business and personal incomes are recognized and accepted as inevitable, and the increases recommended by the Treasury have not yet been questioned except by the financial writers, who assure their readers that Congress will not enact such increases into the law.

"No one can foresee exactly what effects a tax bill of this severity will have upon the national income," says the New York Times editorially. "But as an objective it must be approved, however painful the tax rate it necessitates." Raymond Clapper in his widely syndicated column declares, "A lot of high-priced lawyers have been hired to come to Washington to ease down the taxes for somebody. The best way to deal with all such arguments will be to say 'no' without even listening." Even such an ultra-conservative, anti-Administration newspaper as the St. Louis Globe-Democrat is "ready and willing" to shoulder the burden. "America will pay the freight!" it exclaims, while the Scripps-Howard chain editorializes: "The grim fact is that, although the proposed new taxes may seem unbearably heavy, we'll still be passing the major share of the burden on to future years--to year.

when those who come back from 'over there' will have to help pay. In such times no civilian safe at home can rightly complain about high taxes as such."

--But

While the press finds no fault with the proposed new tax rates as such, it is widely argued that the Treasury's proposals are based too much on the ability-to-pay tenet and too little on restraint-of-inflation principles. "This means," says the Boston Herald, "that millions of Americans, possibly half of our population, will continue to pay no income taxes at all ... This seems neither fair nor wise, because it is in this lower income group, which spends virtually every cent it receives that the possibility of inflationary buying will be greatest." Similarly, the Christian Science Monitor argues: "By far the major volume of purchasing power at this time is going out not to persons of wealth or of medium means but is flowing out through defense employment to millions of persons in the lower wage-earning levels. To impound some of this purchasing power and prevent it from bidding for civilian goods in competition with the war effort is an object of major importance, but it does not appear to figure very largely yet in the Treasury plans."

These comments reflect the opinion of an important section of the press. It is recognized that the new taxes as proposed by

the Treasury would go a long way toward drawing off excess purchasing power. But to close the inflation gap further, many newspapers demand that Congress dig deep into incomes at all levels. Some recommend lowered exemptions. The Christian Science Monitor and the Washington Post advocate enforced savings.

By far the majority of the "but" commentators, however, strongly urge a general levy on sales. Even such a good friend of the Administration as columnist Ernest Lindley advocates a sales tax, claiming the Treasury's tax proposals would be "only mildly anti-inflationary at a time when the most severe methods are needed to prevent a disastrous inflation."

#### Profits and Loopholes

Previously fearful that the Treasury would use the new wartime taxes "as a cloak to advance dubious social experiments," the editorial pages, as yet, have found no reason to get excited over the proposals to tax corporate profits. The Secretary is widely complimented for what the Philadelphia Inquirer calls "wisely restraining himself from renewing certain of his favorite projects," such as making invested capital the exclusive base for excess profits taxes. The recommendation to abandon the capital stock tax is also applauded. "But less fortunate," says the New York Herald Tribune, reflecting the attitude of most newspapers, "is Mr. Morgenthau's insistence on such pet ideas as the taxation of income from state and municipal securities and mandatory joint

income-tax returns for husband and wife." (Editorial comment is not yet available from the community-property states and large oil-producing areas.)

Labor

The Treasury's tax proposals were made public too late for the weekly labor press yet to take any editorial stand. But Charles M. Kelley, a columnist widely syndicated in both the CIO and AFL press, this week prominently features the statement made by the Executive Secretary of the Railway Labor Executives endorsing the Treasury's tax policy. The statement commends Secretary Morgenthau for "the courage he displayed in maintaining his stand" in opposing a sales tax or lowered exemptions.

The Director

Office of Facts and Figures

For your information.

March 6, 1942.

To: Archibald MacLeish

From: Alan Barth

EDITORIAL OPINION  
ON THE WAR:  
DISCOURAGEMENT

Pattern

The press has developed a formula for recounting the progress of the war in the Pacific. As the St. Louis Post-Dispatch puts it, "The news from Java is uncomfortably reminiscent of the announcements that have come in past months and weeks from Crete, Borneo, Malaya and Singapore Island."

Each contest for a new stronghold starts out with editorial assurances that here, at last, a resolute stand will be made. The strategic importance of the position is stressed. The preparations and the determined spirit of the defenders are dramatized. When the assault occurs, early headlines announce that the Japanese have been repulsed with terrific losses. Then come wry admissions that landings have been made. Hope is sustained, however, by tales of individual heroism and by suggestions that allied reinforcements may arrive. And at last comes the acknowledgment that the enemy has secured air and naval dominance, that he has

overwhelming superiority in numbers and equipment, that key defense points have been surrendered and that distance forbids the sending of help to the defenders.

It would be difficult to devise a formula better calculated to promote discouragement. The public is freshly disarmed against each new misfortune. In the case of Java, the unfortunate effects were compounded by advance press notices that American troops had arrived and that the United Nations were ready to match the Japanese on sea and in the air. The quick loss of Java was feared by many commentators; it seems to have been genuinely expected by no more than a few.

This latest in the unbroken series of allied defeats in the Pacific has brought in its train a disheartenment deeper than that produced by the shock of Singapore. There are few signs which can properly be interpreted as defeatism. But there is a manifest feeling of frustration, a loss of confidence in leadership.

On the part of those sharing the policy views of the Administration, this frustration takes the form of demands for new and younger blood in the posts of authority. The swelling editorial chorus on this score is headed by Walter Lippmann who refers to the President's Cabinet as "markedly over-age." Citing as models the youthfulness of governmental

chiefs in other crucial times, he asserts that "Mr. Roosevelt's most urgent task is to renovate his administration by rejuvenating it."

It should be noted that this criticism is rarely directed at the President himself. Confidence in his understanding of the war and of the basic strategy requisite for victory continues on a high level. Only the handful of neo-isolationists assail him personally -- and then, paradoxically, on the ground that he disregards the counsel of the experienced military experts around him.

Offense

Recognition that defensive warfare is going very badly, in the Atlantic as well as in the Pacific, has intensified editorial eagerness for the inauguration of offensive tactics. "It is agonizing," says The New York Herald-Tribune, "to watch a further phase of the fatal process whereby the United Nations continue to stand on a far-flung defensive, watching their vital but nowhere adequately held positions falling one by one under concentrated attack, without launching the offensive stroke of their own which would pin the enemy down; and the lay strategist becomes almost frantic in his insistence upon the virtues of the offensive ..."

In almost every section of the press there is ardent enthusiasm for the "eagle" policy enunciated by President Roosevelt and for Secretary Stimson's pledge that "We will seize every opportunity for counterattack." The Chicago Daily News calls this "the only kind of promise the people want from their leaders today" and The Indianapolis Times goes so far as to say: "When raiders appear off California, we should be worrying about offensive Alaskan bases to attack Japan."

In the light of such prevailing views as these, the reorganization of the army was greeted with general approval as a streamlining of operations for offensive action. The step was criticized only as not going far enough; joint command over land, sea and air forces is widely advocated.

Russia

There was a good deal of disappointment among editorial writers over the Russian failure to announce sensational victories on the Red Army's anniversary. Lacking these, the commentators have tended to discount the day-to-day claims advanced in Soviet communiques. They see that strategic positions, especially in the South, are still in German hands and doubt that the anticipated Spring drive of the Nazis can be arrested. Nevertheless, most of them now recognize that the whole course of the European struggle hangs upon Russian

resistance and urge the utmost assistance from this country and Great Britain. There are the beginnings of a renewed clamor for an invasion effort by British and American troops, either through Norway or Italy.

At the same time, speculation is growing over the possibility of aid from Russia in the fight against Japan. Frequent rumors that the Japanese will attack Siberia give rise to hopes that the Russians will seize the initiative -- at least to the extent of granting bases for American bombers.

France

Press comment on the Riom trials illustrates the total absence of American confidence in the Vichy Government. Scarcely a commentator regards them as anything save a drum-head procedure and a travesty on French justice.

The transfer of the Dunkerque to Toulon added to editorial distrust of Vichy. "Does anyone think that once the Dunkerque is ready for action her guns will be fired on our side?" the Camden Courier asks scornfully. And there is equal apprehension over Madagascar. Recognition of Free French control over New Caledonia was generally endorsed, although there was some disposition to deride the State Department's legalistic justification of its step as diplomatic boondoggling.

In the main, the newspapers have ceased shouting "appeasement" about our dealings with the French; they merely reiterate somewhat wearily that we had better be on the alert for some sudden stab in the back.

In this context, the British air raid on factories around Paris was generally approved as one of the hard necessities of war. There was sympathy for the French and, indeed, a tendency in news stories to dramatize civilian suffering. But the dominant feeling was one of satisfaction that the British had forced a showdown with Vichy -- and, above all, that they had struck a real blow at the enemy.

The Director  
Office of Facts and Figures

*[Handwritten signature]*  
For your information.

March 13, 1942.

To Archibald MacLeish  
From Alan Barth

EDITORIAL OPINION  
ON THE WAR:  
THE DEMAND FOR ACTION

Urgency

Appreciation of the war seems to be shifting from an intellectual to an emotional level. American newspapers no longer chronicle events in the Far East as mere stages in a remote, though exciting, drama; they have lost some of the detachment of spectators, and have become participants. Accordingly, they are beginning now to portray the war as a real and vital and immediate concern of their readers. A genuine sense of the seriousness of the situation is seeping through news and editorial pages.

Awareness of danger has, of course, brought with it a strident demand for action. Many and varied, yet generally unspecific, are the formulae proposed. The commentators know only that they want desperately to hit back at the enemy; they are, for the most part, pathetically conscious that as armchair strategists they lack the information indispensable to the

determination of policy. Out of the frustration and impotence thus created, there surges, naturally enough, anger, impatience and discontent.

Only drastic action can assuage these feelings. "Scorch the comforts," The Washington Star admonishes. Mrs. Roosevelt, Walter Lippman and George Gallup urge full mobilization of all men and women in America. Donald Nelson's two strong radio pleas for increased production are fervently endorsed by the press. Every editorial page exhorts the public to serve and sacrifice - rarely telling it in more than the most general terms what services and sacrifices to render.

Regarding the battlefronts, there is a similar jangle of editorial pep-talking. The commentators are beginning to realize that offense and defense are not necessarily separable. "Having failed to send adequate reinforcements to Java in time to save that extremely valuable bastion," says The Washington Post, "the Allies must do everything in their power to make Australia impregnable..... The successful defense of Australia would make possible that ultimate offensive against Japan without which the war in the Pacific cannot be won."

But The Chicago Tribune, customarily the leading exponent of neo-isolationism, wants the offensive against Japan to be launched without delay. "World strategy," this newspaper reasons, in spite

of its normal hostility to Communism, "demands that Russia be given every aid to keep her in the war against Hitler." Asserting that the most effective supply route to Russia is closed by Japan, The Tribune argues: "By beating Japan we can see that supplies for Russia again move over the trans-Siberian railroad. The situation demands that we concentrate our strength against the Japanese.... It will be fatal folly if we fail to recognize that at this time she is our most dangerous enemy and the one by whose defeat we can contribute most to the eventual victory of our associates all over the world."

There is a rather widespread revival, on the other hand, of the hope that Europe can be invaded from the West. Continuance of the Russian counter-offensive, the Nazis' admission that they have suffered a million and a half casualties on the eastern front and the success of recent British air raids have led some commentators to suggest that the time has now come for British and American forces to attempt the opening of a new front in Europe. Even if the attempt fails, they reason, it can have great value in relieving the pressure of the anticipated Nazi spring offensive on the Russians. Whether or not this sort of thinking has any sound basis in the military realities, it seems eloquently indicative of the eagerness for drastic and dramatic action now.

Dupes

The Axis nations, prior to the outbreak of war, made a practice of freely distributing radio receiving sets to those peoples, particularly in "backward" countries, to whom they were desirous of addressing their propaganda. They felt no need, however, to go to any similar trouble or expense in such an "advanced" country as the United States. They relied upon the American press, because of its competitive nature and its zeal for the complete coverage of the news, to distribute their propaganda for them.

American newspapers, along with domestic radio stations, have, in fact, made themselves outlets for Axis "news" and have given it a currency and circulation far beyond the poor powers of short wave transmission to achieve. They have, moreover, put upon it the imprimatur of their own reliability and respectability, disarming Americans who would be prepared to discount it if it came to them directly via the short wave with its propaganda purpose undisguised.

During the past week, for example, American newspapers and radio stations have announced that American troops surrendered in Java. They received this "news" from Tokyo - without corroboration from any other source - and printed it freely

without further investigation. By disseminating this story, the American press helped unwittingly to spread discouragement and dismay, serving as an instrument in the psychological warfare of the Axis.

American front pages likewise publicized a Vichy version of the recent R.A.F. raid on Paris suburbs, highlighting the anguish and indignation of the stricken French yet virtually ignoring the contributions made by French industry to the German war machine. Planted Axis stories from Berne or Ankara or Stockholm often find their way to our front pages, confusing American readers with groundless gossip of enemy plans and projects.

In their editorial pages, most of the newspapers which thus serve as transmitters for the Axis line disparage and condemn it. They recognize its purposes and vehemently warn their readers to be on guard against rumors and propaganda. But they seem tragically off guard themselves. They fail to protect the public from the prime factor in Axis psychological strategy - the use of "news" as a weapon.

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*The Secretary of the Treasury*

For your information.

March 13, 1942.

To Ferdinand Kuhn, Jr.  
From Joseph Melia

EDITORIAL COMMENT ON TAXES:  
THE COMPLAINTS GROW LOUDER

Throughout the country most editorial writers still find little reason to complain over the tax program proposed by the Treasury. But that important section of the press which demands a broadening of the tax base is growing steadily. Although still in the minority, these newspapers are becoming increasingly critical of the Treasury's tax recommendations.

They protest that while the "unorganized and already overburdened" middle-income group is being called upon to accept an even heavier tax load, the Treasury would continue to exempt the low-income wage earners and farmers who have had the greatest increase in inflationary spending power.

By their editorials and their headlines over prominently displayed news stories, these newspapers seek to create the impression that there is a widespread popular demand for a sales tax. They assure their readers editorially that Congress in all likelihood will heed this "public demand" and drastically alter the Treasury's tax program before enacting it into the law.

Recently there has also been a flurry of editorials questioning the wisdom of the Treasury's corporate income-tax proposals. The recommended corporate income tax rates "suggest caution" to the New York Times. "That they will mean the reduction or elimination of dividends by many corporations is clear," it declares. "But beyond that they may mean the serious weakening of corporate capital structures such as would bring severe penalties in a subsequent period of hard times."

The Washington Post denies that industry is "garnering vast profits while demanding that the universal sacrifices required by war be borne exclusively by labor." It asserts that it is "by no means certain that private industry would be able to support such a heavy (new) tax load without impairment of efficiency and consequent slowing down of war production." And The Richmond News Leader argues that the Treasury program would "increase corporation taxes to the point where many industries unrelated to war work will be crippled beyond the hope of even making necessary replacements."

The criticisms of the Treasury for not advocating a broadening of the tax base are mixed with fear, sympathy and hope on the part of the critics--fear that the suggested tax program would fail as an anti-inflation measure, sympathy because of the load it would impose on the white collar class, and hope that it will be drastically altered in Congress in answer to the "rising public clamor" for a sales tax or lowered exemptions.

Fear

The former New Dealer Ralph Robey, for example, in the current issue of Newsweek, states that the Treasury's recommendations on taxes "have no more relation to what must be done" to halt inflation than "night has to day." He lists what he considers to be the three "basic" weaknesses of the Treasury program as:

"1. It leaves some 50 per cent of the total national income untouched, except for the relatively insignificant changes in excise taxes.

"2. Fundamentally it is a program designed to tax potential savings, thereby hindering an expansion of production, while at the same time permitting the volume of purchasing power in the hands of those who will spend it for consumption to go on increasing under the impact of the war prosperity.

"3. Under this program the business units which would be hardest hit are those which economically are benefiting least from war prosperity."

He concludes that while business and the upper 10 per cent should be taxed higher than at present, the only tax system that would be effective in halting inflation must include either a sales or withholding tax without exemptions, or a combination of the two.

Sympathy

Frank R. Kent, persistently critical of the Administration, also advocates either an income tax with no exemptions or a sales tax. "Everyone who earns anything should carry a share of the tax burden," he writes in his widely syndicated column. "...Instead, the tendency of the new bill is toward the practical extermination of the upper and middle bracket incomes, already taxed to the point of diminishing returns, and a continued exemption of millions of the lower incomes..."

The New York Times is more explicit. "Few families in this class can relinquish a quarter to a third of income without some drastic retrenchment," the Times declares. "They will have to move to cheaper living quarters, give up some life insurance, take a son or daughter out of college or make some other big adjustment if they are to continue to live within their incomes." Similarly, the New York Herald Tribune argues: "A program which doubles the existing income taxes of one group in the economy one year and then redoubles them the next year overlooks the pertinent fact that a great part of the budget of a person in the middle income brackets consists of fixed charges which cannot be sloughed off in the same way that one can cut down purchases of civilian goods. The only way the average citizen can keep up such expenditures and pay income

taxes is to raise money through loans. When a condition obtains in which such borrowing becomes substantial the point of diminishing returns has been reached and it is time to look about for new sources of taxation. There is much evidence that under the Treasury program we are already at or near that point."

Hope

The widespread belief that Congress will drastically revise the Treasury's tax program in answer to "public clamor" for a sales tax is reflected by the Providence Journal. "It is clear" to the Journal that "the Treasury fears an eventual stampede to the sales tax." "Sentiment for such a levy," it reports, "is increasing among Committee members....There is a growing popular feeling in the country that the vast majority of citizens must expect to become contributors to the Federal Treasury on a scale that hurts. But the Treasury is patently resisting this popular mood, despite strong evidence that many among the smaller income groups would be willing tax contributors."

The Kansas City Star is even more hopeful. "The head of the Treasury has a rather persistent habit of submitting fanciful tax ideas that fail to register, either with Congress or a good part of the country," the Star declares. "It should be understood, too, that any tax program is at the outset largely a 'trading' proposition--

that is, you ask for a lot more than you expect to get. And when it comes to trading, Mr. Doughton's Ways and Means Committee of the House and Mr. George's Finance Committee over in the Senate know a fair assortment of tricks."

Liberal and Labor

Most of the Treasury's critics are consistently anti-Administration, but this week they were joined by that staunch New Dealer, The New Republic. This magazine complains that the Treasury's program is "timid," although "probably much better than the bill Congress will pass." It criticizes the measure because it would provide too little revenue, leave "enormous loopholes" for excess profits to escape, and fail to lower exemptions or provide for enforced savings. It recommends a 100 per cent excess profits tax and the lowering of personal income tax exemptions to \$1000 for married persons and \$500 for single.

The labor press still has not commented editorially on the tax program, apparently preferring to wait until the tax committees of the A.F. of L. and the C.I.O. have taken their stand on the Treasury's proposals.

The Director  
Office of Facts and Figures

*[Handwritten signature]*  
For Your Information.

March 20, 1942

To Archibald MacLeish  
From Alan Barth

EDITORIAL OPINION  
ON THE WAR:  
BLOOD TRANSFUSION

Elation

The headlines all but sang the news about MacArthur. And in the same breath they jubilantly proclaimed that soon the United Nations would take the offensive against Japan.

The morning newspapers of March 18 had a naval victory to rejoice over, as well as the tale of MacArthur's safe arrival in Australia. And American troops - an A.E.F. with a huge convoy of materiel - had reached an Australian port just ahead of him.

It was too much good news at once; the type fonts were inadequate to the occasion. Reporters on the scene were unabashedly exultant. They chronicled what might have been an American invasion or conquest of Australia. Their stories brashly told of the taking over of Australian plants by Americans, of the introduction of American efficiency. The deep spell of depression which had been cast upon the press by the news of the battle of Java was completely swept aside.

Through all of the editorial comment about General MacArthur, there ran a current of ebullient faith in him, both as a military genius and as a symbol of victory. "MacArthur is a promise," said The Christian Science Monitor. "The short-range promise is for a successful defense of the United Nations' last stronghold in the South Pacific... The long-range promise in this American-Australian combination is almost as encouraging... the promise of bringing the whole English-speaking community into understandings and relations which will be the best guarantee of peace."

But the editorials were a good deal more guarded than the news pages when it came to forecasting an offensive. "Let us not expect too much of MacArthur - especially not all at once," The Birmingham Age-Herald warned. "Let us remember," urged The Richmond Times-Dispatch, "that he cannot perform miracles, and that the Japanese hold all the advantages today."

Hanson Baldwin, The New York Times' military expert, pointed out: "The problems and responsibilities of MacArthur of Australia will be of far greater magnitude than the problems and responsibilities of MacArthur of the Philippines... His greatest role in the Philippines was only in part that of generalship, more that of leadership... In Australia leadership and personality will play their ever-important role. But in Australia there is no fixed scheme of defense."

As the first elation wore away, the bulk of the press took cognizance of the difficulties which lie ahead and endeavored to caution the public against excessive hopes for the immediate future. But they may not easily be able to erase the impression created by their headlines that the tide has turned. They have built General MacArthur a pedestal on which he may find it difficult to keep his balance.

In a fairly extensive survey of the press, not a single adverse comment has been found concerning the General's transfer from the Philippines. The New York Daily News Syndicate, which had used MacArthur's continued presence on Bataan as a fulcrum for its efforts to undermine confidence in President Roosevelt, was conspicuously handsome in its appreciation: "President Roosevelt did it. The entire credit goes to the President, and there can be no room for anything but the highest, most unstinted praise. All America - we are sure - has only heartfelt acclaim for the President's action, and we would like to add our voice in extending congratulations."

The Chicago Tribune managed, however, to inject a sour note into its applause: "One great advantage which may be expected to flow from the transfer of Gen. MacArthur is the liquidation of Churchill as the principal strategist, at least in the Pacific theater." And, as a closing gibe: "The Bataan defenders may fight the better for knowing that they are no longer forgotten men."

Zeal

The position of MacArthur and the American contingent in Australia has been made a peg on which to hang renewed demands for an all-out production effort at home. A number of newspapers utilize it to cloak an otherwise undisguised attack on organized labor and the New Deal.

But beyond this narrow aspect of the demand for increased production, there seems to be a real and growing sense of urgency which clamors for a leveling of all obstructions. All segments of the press showed keen indignation over the charges made by Robert R. Guthrie in conjunction with his resignation from the War Production Board and insisted upon thorough investigation and correction. A St. Louis Post-Dispatch editorial gave expression to what appears to be a general desire for still more vigorous leadership in domestic affairs: "The people in general have shown themselves only too willing to fight, to give, to sacrifice, to do everything possible to make this country victorious. But the people cannot settle the problem of cleaning out the WPB, building a fire under the brass hats and forcing the operation of machines 168 hours a week. That is a job for the Government, in particular a job for the man who is at once President of the United States and Commander-in-Chief. Mr. Roosevelt can smash the bottlenecks, tell labor and industry what is expected of them... The cry is for: Action! And to hell with costs and consequences!"

Along with the renascent hope stimulated by the good news from the Pacific, there seems to have developed a sudden intensification of ardor, a sense that concentration of energy today can have great potentialities for tomorrow.

*The Secretary of the Treasury*

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For Your Information

March 20, 1942

To Ferdinand Kuhn, Jr.  
From Joseph Melia

EDITORIAL COMMENT ON TAXES:  
ECHOES FROM THE GRASS ROOTS

Although there is dwindling editorial discussion of the new tax program as a whole, the past week has produced a steady growth and intensification of the demand for a general sales tax. Metropolitan newspapers are pushing with increasing vigor their demand that Congress enact such a tax; the smaller newspapers have now taken up the cry, and are repeating the demand in all sections of the country, even in those States which already have a sales tax on the statute books. Opposition to a sales tax is insignificant and almost unheard in the general editorial clamor.

The National Association of Manufacturers has been successful in winning the endorsement of many small-town newspapers. Those which comment on the N.A.M. proposals accept them at their face value; there has been no editorial endorsement of Representative Jere Cooper's charge that the N.A.M. program was merely an attempt to shift the burden from the shoulders of the big corporations.

Increasingly evident in the demands for a sales tax is the tacit appeal for a lowering of the individual income taxes

suggested in the Treasury's program. The small-town newspapers place more emphasis than their metropolitan counterparts upon the burdens already borne by middle-income taxpayers and upon the "dangerous" new burdens which the Treasury would seek to impose.

Applauding the N.A.M. for presenting "the most sensible as well as the most practicable tax program yet to turn up in Washington," the Sioux City, Iowa, Journal, for example, states: "Members of Congress have heard from the country, which daily is becoming more articulate on the tax question, and they do not subscribe to Mr. Morgenthau's theory at all. They are thinking more and more of some kind of sales tax, and now that the manufacturers have presented an intelligible plan for a combination of a sales levy and 'moderate increases' in income taxes, they may give it careful consideration." The Macon, Georgia, Telegraph finds the proposed income taxes "drastic". It hopefully forecasts as "highly probable" that the "extreme demands of the Treasury may be resisted," while, more aggressively, the Fort Worth Star-Telegram declares: "The Treasury program is an evasion of the major principle that every American must shoulder his just portion of the war program... It ignores the important fact that double income levies...will force liquidation, defaults and loss

of investments. In business which does not share in the proceeds of armament spending, increased bankruptcy will spread unemployment among the workers of certain concerns closed down...Why do not Congress and the Administration invoke that principle which has been applied in Britain? There every income earner pays something in direct taxes and also pays heavy sales levies." This newspaper goes on to say that "there is at least the taint of suspicion that the Administration may be catering to votes in fastening the main burden of taxes upon minorities."

Many other smaller newspapers share the suspicion of the Fort Worth Star-Telegram that the Administration is opposing a sales tax because of "politics."

The Colorado Springs Gazette, for example, states: "Faced with the demand for new and exorbitant taxation, Congressional sentiment runs toward a general sales levy, and the Treasury, seeking desperately to head it off, cries, 'No! No!'...The idea of the Treasury trying to head off Congressional sentiment and dictate tax policy carries connotations unpleasant enough in themselves, but the idea of financing the war without letting the burden touch favored political groups and those directly profiting from the war effort is a bit too arrogant..." Similarly, the

Chattanooga News claims that the Administration's opposition to a sales tax is "demagogic." This newspaper refers to the Secretary's statement that sales tax advocates are seeking to take a little of the load off themselves as "a play for votes and the applause of the masses." A sales tax, it argues, "would distribute the burden among all classes, those of high and low incomes paying in proportion and the income tax taking care of the surplus remaining to the higher incomes. It would be a measure for the benefit of the masses and holds the secret of saving this nation from complete financial collapse."

These comments reflect the opinion of smaller newspapers in all sections of the country. Calling for a sales tax, the Watertown, New York, Times and the Worcester, Massachusetts, Gazette demand that "Washington forget politics," while the Miami Herald says "the Treasury and the Administration should quit sidestepping," and the St. Paul Pioneer Press calls Secretary Morgenthau's reasons for refusing to advocate a sales tax "an admission that the 'soak the rich' school of politics is a form of fooling the people."

The Treasury's case, in other words, is getting no appreciable editorial support. The few publications which staunchly

support the principle of ability-to-pay are voices crying in the wilderness. All signs show that it is high time for labor and other friends of the Administration to make their support vocal and effective.

The Director  
Office of Facts and Figures

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For your information.

March 27, 1942.

To: Archibald MacLeish  
From: Alan Barth

THE WHITE HOUSE  
EDITORIAL OPINION  
ON THE WAR:  
ULL BEFORE THE BOMB

Interlude

This year's Spring fever is a compound of hope, apprehension and unrest. For months past, the country's editorial pages have forecast this Spring as a time of testing, as a climax of the war in which the whole future of the world will be determined. And now, suddenly, somewhat frighteningly, the fateful season is at hand.

The newspapers are filled with speculation as to the direction which events will take in the weeks and months ahead. How largely they acknowledge that initiative still rests in enemy hands is pathetically attested by the focus of attention upon what Germany will do next. The editorial writers are bracing themselves for a fresh explosion of Nazi fury in Russia, in the Middle East, in North Africa, even, perhaps, once more against the British Island. The most hopeful feature of this outlook is a conviction that this Spring holds the last chance for a Nazi triumph.

Continued and synchronous offensive action by Japan is anticipated. The prevailing belief is that the Japanese will now concentrate their efforts on India. But the ex-isolationists have visions of a fresh assault upon Hawaii; the New York Daily News and Washington Times-Herald continue to put at the head of their editorial pages, "Make Hawaii Impregnable." Some commentators expect the Japanese, in addition, to thrust at Russia's eastern maritime provinces -- perhaps because, in this contingency, they glimpse a roseate hope for American bombing raids on Tokyo from Siberian bases.

The variety of speculation about Axis plans is a tribute to those who plant enemy propaganda. As the St. Louis Post-Dispatch observes, "Ajax and Atlas must sigh with relief these days as they contemplate the program of Spring activity worked out for Hitler and Mein Intuition by American news commentators, foreign observers and reliable sources from Ankara to New Delhi."

Editorial ardor for a United Nations offensive this Spring has abated in some measure; the difficulties have become more real. Nevertheless there is general insistence that everything possible be done to send supplies to MacArthur. With growing vigor commentators suggest the opening of a new front in Europe as the one effective means of supporting Russia and perhaps crushing Hitler now.

On the whole, the press gives a sense of taut expectancy. It has treated the week's events, particularly announcement of the Navy's raids on Wake and Marcus Islands, with due fanfare. But there has been no genuinely dramatic news to compare with the preceding week's transfer of General MacArthur. Editorial eyes are on the horizon. The interlude is one of anxious waiting.

Nerves

Waiting has produced an acute nervousness. And this nervousness may account, in part, for an unprecedented wave of dissatisfaction and impatience with the Government.

It seems no overstatement to declare at this juncture that the President is in danger of losing an essential part of the warm confidence with which most American newspapers have supported his conduct of the war. For there is an uneasy belief that he is fumbling. And this belief is not confined by any means to his enemies; it is shared, to some degree, by those who have consistently been in full sympathy with his foreign policy.

The President's enemies, to be sure, have sought to capitalize on the difficulties confronting him and in doing so have wrapped themselves in a mantle of martyrdom. Their constant, plaintive wail is that the Government considers criticism as tantamount to treason.

Much of the criticism from supporters of the Administration's foreign policy, it is true, is directed at Labor and at the social gains of the New Deal -- at the principle of the 40-hour week in particular. But despite the synthetic character of many of these complaints there is a sense that the President's leadership has lacked toughness and firmness.

There is an angry feeling among editorial writers of every political coloration that the Government is coddling and cajoling the American people. Dorothy Thompson gives acidulous expression to this feeling in discussing a series of pamphlets prepared by the War Department for mothers, wives and sweethearts of soldiers. "It seems, reading them," she says, "that the American Army is some sort of Ye Olde Summer Camp for the spoiled and blasé children of doting mothers. The purpose of the pamphlets, of course, is to convince mammas that their darlings are having the time of their lives in the Army .... God forbid that there should be any indication that the American soldier is going to face and risk death -- risk death for America, for freemen everywhere, for the salvation and security of generations yet unborn."

Newspapers everywhere express a deep conviction that Americans now understand the meaning of this war, are terribly in earnest about winning it and no longer need to be enticed, wheedled or

otherwise gentled into shouldering their share of the burden. The editorial cry is that the public cannot reasonably be expected both to lead and to follow; it needs and demands direction from those it has chosen for leadership. If the press can be taken as a barometer in this sphere, the American people are ready, and indeed, eager for marching orders. They want their Government to be tough, determined and, above all, forthright. They don't want the war to be "sold" to them, as though they were children obliged to take a disagreeable medicine. They have enlisted voluntarily and want command, not conciliation or comfort, from their Government.

The dominant theme of the press today is that the President has failed to assume authority as Commander-in-Chief of the United States on the home front.

*File*  
*The Secretary of the Treasury*

For your information.

March 27, 1942.

To Ferdinand Kuhn, Jr.

From Joseph Melia

EDITORIAL COMMENT ON TAXES:  
ROUGH SLEDDING FOR THE TREASURY

Sales Tax

Editorial clamor for a general sales tax continues undiminished throughout the country. The release of the OPA's estimate that the eleven billion dollar increase in this year's national income will go almost entirely to people making more than \$2,500 has had no appreciable effect in checking the demand for a sales tax. For the most part, the OPA estimate has been ignored by those newspapers which argue that a sales tax is necessary to "mop up that great amount of additional income which the war is bringing to low-income groups below the exemption level."

The Detroit Free Press, for example, finds it hard to accept the OPA's finding "without more proof than OPA furnishes, when it fits so perfectly into OPA's opposition to any Federal sales tax. There are tens of billions of dollars of national income that are untouched by any Federal tax existing or proposed by the Treasury... A sales tax would tap it, with a minimum of administrative cost and

trouble. What is more, a sales tax removes the large gap between the time income is earned and the time it is taxed under existing law. This lag is a prominent accessory to inflation... This is no time to use taxation to redistribute wealth or effect other social or economic reforms. We have a war to win. And in paying for it, Congress should stick to the practical view that it is everyone's war and that everyone, with an income, should contribute his fair share to footing the bill."

Such arguments are generally emphasized on editorial pages in all parts of the country. A few newspapers, including the Kansas City Star and the Baltimore Sun, go so far as to propose that a levy on sales should be imposed in addition to the tax program recommended by the Treasury. They are, however, exceptions to the general rule.

In most of the editorial demands for a sales tax there is tacit the appeal to lighten the burden of the middle class by lowering the proposed income-tax rates. These newspapers bolster their argument with the claim that this type of levy is "painless" and that present income-tax rates are dangerously near the point of diminishing returns.

"The taxpayers, who of necessity will be hard pressed, should be aided by the most scientific and equitable tax program that can be devised," says the Hearst chain, urging a sales tax. The Wheeling Intelligencer demands a sales tax on the grounds that "it is becoming pretty obvious that we have just about exhausted the possibilities of soaking the 'rich.'" The Daily Oklahoman is as emphatic against the Treasury's tax program as it is against the 40-hour week. "Sentiment in Congress," says this paper, "is swinging slowly around toward a sales tax instead of the higher income taxes of the middle-class unorganized public, though the Administration forces are still trying to hold back the tide. Evidence shows that a large part and perhaps all of the additional seven and a half billion dollars could be raised by a sales tax, whereas it would be a backbreaking and highly destructive burden on the little salaried man if income taxes were materially increased, as now proposed. The sales tax is eminently fair, because it is levied only as a man feels able to buy... The sales tax is especially favorable to the subsistence farmer, who raises most of what he eats..." Not content with prompting the letter-writing campaign

against the 40-hour week, this newspaper now urges its readers: "Write your representatives in Congress to support the sales tax."

Loopholes

While most of the press is opposed to mandatory joint returns, there has been recently a flurry of editorial support for this proposal. The St. Louis Post-Dispatch, a supporter of Mr. Willkie in the last election, takes him to task for calling mandatory joint income tax returns an "anachronism." "All right, if it is a violation of women's rights to have wives file joint returns with their husbands," says the Post-Dispatch, "let husbands file joint returns with their wives. This alleged loss of the wife's identity because she files an income tax return in partnership with her husband is fancied rather than real." Scoffing at the allegations that joint returns would lead to divorce and infringe upon the "rights" of women, the Philadelphia Record, Cedar Rapids Gazette, and Portland Oregonian also uphold the Treasury's recommendation.

There has been little editorial discussion recently of the Treasury's other proposals for closing tax loopholes. A few newspapers continue to oppose the taxing of the income

from State and municipal securities; the leading newspapers in the oil and mining States have remained editorially silent on the controversy over depletion allowances; and the arguments before the House Ways and Means Committee on community property laws have elicited no editorial comment as yet from the large newspapers in the community-property States.

Profits

The Naval Affairs Committee disclosure of the exorbitant salaries and bonuses paid by Jack & Heintz, Inc., in order to lighten its tax load has created a demand for a tightening of the tax laws and war procurement methods.

"Wartime gouging, whether by greedy union bosses or selfish company executives, can't be tolerated in this country," declares the Philadelphia Inquirer. "Amazed and stunned as we may be," says the Boston Post, "that some Americans have been making preposterous profits out of our effort to make the world free, we can still be grateful that this bonanza business was dragged into the open. It might have gone on indefinitely. But it cannot continue now. On this issue the people are not indifferent or complacent."

And the Atlanta Constitution states: "In war the money which pays every item of that war is the blood of the nation. It is contributed from taxes and other sources which are available only through the hard work and the cheerful sacrifice of the people. He who takes for his own advantage an undue portion of that tax money, whether it be in excessive profits on war contracts, in outright graft or in top-heavy wages, is guilty of weakening the national strength for war... The temper of the people is such that Congress and the Administration should take careful heed and promptly squash every indication of gouging from the public treasury, large or small, no matter by whom."

Labor

Labor, liberal and left-wing organs are supporting the Treasury's tax program. Both the CIO and AFL have gone on record as favoring the main outlines of the Treasury proposals. The AFL, however, opposes the taxing of income from State and municipal securities and the CIO advocates more drastic excess profits taxes. The American Labor Party of New York State also backs the Treasury, and this week it called upon its membership to fight the sales tax. The Daily Worker and New Masses are among the most vigorous supporters of the stand taken by the Treasury.

*The Secretary of the Treasury*

For your information.

April 3, 1942.

To Ferdinand Kuhn, Jr.  
From Herbert Merillat

EDITORIAL COMMENT ON TAXES:  
OVERTIME AND EXCESS PROFITS

On the home front editorial attention is still concentrated on abolition of the forty-hour week. The press campaign for a general sales tax appears to be in abeyance -- temporarily, it must be supposed in view of the determined and concerted drive for such a tax in recent weeks. The exposure of excessive profits made by Jack and Heintz Inc., provoked a demand for effective limitation of war profits, but few papers regard as practicable or reasonable the proposal to limit profits on war contracts to 6 percent of the cost of performance. Implicit in the various demands of the conservative press is the idea that labor and the Government are guilty of "business as usual." Overtime pay must be reduced, strikes must be banned, non-defense spending must be sharply cut, heavy taxes must be imposed on everyone, including the lowest income-earners, before the press will be satisfied that the country's war effort is all-out.

Forty-Hour Week

The vast majority of the press continues to clamor for abolition of the basic forty-hour work week. David Lawrence and Mark Sullivan have added the contention that overtime is paid by the taxpayers and that the taxpaying public should rise up to end this iniquity. There are significant rifts in the front, however, and some of the most powerful voices in the conservative press have advised against tampering with the forty-hour week at this time. The Wall Street Journal, Barron's Financial Weekly, even the Chicago Tribune, think extension of the work week would cause more dislocations than it would be worth. Even the grass roots do not present the unified front which the Gaylord papers in Oklahoma have tried to develop. A country editor, in the Parkersburg, Iowa, Eclipse, has this to say: "We get a big chuckle out of people arguing against a forty-hour week that don't know anything about organized labor. The forty-hour week to a union man is a symbol and as a symbol it means more than just a space of time and should be left alone.... The Eclipse sincerely believes that certain interests are trying to use the war as a means of eliminating the forty-hour week gain made by organized labor, and we for one hope they fail."

Excessive Profits

The Jack and Heintz case served to point up the fact that at least some war contractors are making excessive profits which the present excess profits tax does not recoup for the Government. It has aroused an editorial demand for an effective limitation of profits and editorial criticism of a Federal procurement policy which will permit such profits to be made.

The leading metropolitan papers, however, do not think the limit of 6 percent on cost of performance is the proper way to attack the excess profits problem. They endorse Mr. Paul's criticisms of the 6 percent limit and urge Congress not to enact that hastily devised measure.

The Spokane Spokesman-Review, campaigning like the Gaylord papers for an end of the forty-hour week, urges its readers to support the profit limit as well. In such campaigns the New Republic sees a scheme to obtain restrictions on labor by tying them in with high-sounding but impracticable and ineffective profit limit proposals.

Government Economy

Several papers, not usually warm in praise of Secretary Ickes, have given him a pat on the back for voluntarily recommending a cut of \$10,000,000 in the Interior Department appropriation bill. The total cut of 30 percent in the new appropriation

over the current year's appropriation is hailed as evidence that substantial cuts in non-defense government spending can be made if there is a will to do it. Here, says the press, is a clear indication that the \$2 billion cut recommended by the Brookings Institution and the National Economy League can really be effected.

The CCC and NYA are the current targets of an economy-minded press. The Washington Post speaks for most of the press when it complains of the "tenacity with which the Administration clings to emergency organizations after they have served their original purpose." If NYA and CCC do in fact perform work useful to the war effort, these critics say, they should be merged with the appropriate agencies after the useless functions and administrative staffs have been amputated.

Wives, Invalids, and Collegians

The press has warmly received the Treasury's proposals to allow deduction of medical expenses, a credit for dependent children in school, and a credit for the earned income of wives. The proposal to allow deduction of medical expenses especially has been applauded. Hugh Johnson says: "It is an intelligent noble change that the Treasury Department is considering. It should go through without obstruction." The Scripps-Howard chain: "The Treasury is on a humane and timely track."

The credit for working wives has received less attention but has been approved by those papers which have noted it. The New York Herald Tribune, however, smells a rat. The proposed allowance, it suspects, is "an attempt to make more politically palatable the Treasury's proposal for mandatory joint income-tax returns by husband and wife." The Chicago Daily News favors the credit, but not "as a means of greasing the ways upon which to launch mandatory joint returns for husband and wife."

The mandatory joint return proposal continues to be the target of much editorial abuse. The St. Louis Post-Dispatch emerges as the most ardent champion of the joint return. "Few public issues," it says, "have been so beclouded with flimflam.... The sanctity-of-marriage argument is so much hokum and hot air. So is the argument that the joint return would deprive women of their rights.... The joint return simply prevents her husband from using her name as a cyclone-cellar for an overstuffed income."

The Director  
Office of Facts and Figures

For Your Information

April 3, 1942.

To: Archibald MacLeish

From: Alan Barth

EDITORIAL OPINION  
ON THE WAR:  
TWILIGHT OF IMPERIALISM

Attack

Editorial delight over the British raid on St. Nazaire affords one more indication of the eagerness with which the American press awaits offensive action against the enemy. The prevailing feeling is that this attack, if not wholly successful, served at least to give the Nazis cause for serious worry. But the elation in most comments appears to spring from a hope that this was but the forerunner of raids to come -- perhaps even of a full-dress invasion later in the Spring.

The Christian Science Monitor, for example, finds "some reason for believing that United Nations strategy now looks on the British Isles as an offensive base. For two years the British have had to wonder where Hitler might strike. Now they can cause Hitler to do some wondering. Should they increase these raids and combine them with the bombing of

Nazi communications, something like a western front will appear. Axis forces will have to be called back or withheld from the drive on Russia. From that standpoint every offensive move, even though costly, even should its objectives not be completely attained, is a success."

But The Lynchburg News, ordinarily more bellicose than The Monitor, warns that "A reckless offense may be worse than a feeble defense. A position lost may be regained; an army lost is something else." A good many commentators, indeed, have added a note of caution on this score to their recently vociferous demands for a seizure of the initiative. They seem slightly worried lest their earlier counsel be heeded prematurely. No lessening of the ardor for attack need be inferred from this, however; all that is demanded is adequate preparation.

Columnist Samuel Grafton inveighs against even this degree of caution. The theory that the offensive must wait until sufficient equipment has been accumulated, he contends, is actually an isolationist theory. "A policy of taking the offensive in 1943," says Grafton, "is a policy of taking the defensive in 1942. Let us call things what they are.

A promise to act next year is, equally, a promise not to act this year."

In the midst of this etymological debate over whether the war should be fought offensively or defensively, most of the press is waiting tensely for the Axis to make its next move. The past week has been one of relative quiescence on the actual fighting fronts, as far as the editorial pages were concerned. The commentators have their eyes fastened apprehensively on future theaters of the war.

#### Empire

The prime focus of interest during the past week has been India. The press sees the great sub-continent as Japan's next objective and a possible meeting ground for the German and Japanese ends of the Axis. And it is gravely fearful that the Indians, when the test comes, may not range themselves with the United Nations.

For the most part, American editorial opinion has been warmly sympathetic to the Indian demand for independence. But as they studied the problem, commentators became more aware of its complexity, more tolerant of the British attitude that India is not yet wholly ready for self-government.

They examined the conflicting demands of India's religious groups and discovered that these could not be met satisfactorily by a simple declaration of independence.

Accordingly, the proposals presented by Sir Stafford Cripps went beyond the expectation of most editorial writers here and were considered, on the whole, extremely generous. And there is now a feeling of real impatience with the Indian Congress leaders for their failure to accept them. The Atlanta Constitution says the proposals "go all the way .... If the Indian leaders do not accept the British offer it will be all the evidence needed that they have no desire to cooperate with the free nations of the world in the struggle for universal freedom, it will show they have already surrendered, in spirit, to the machinations of the Axis Fifth Columnists among them."

This impatience stems, of course, largely from a recognition that time is of the essence in solving the Indian problem. As a Scripps-Howard editorial puts it: "The fact is that Britain and India must 'hang together or hang separately' at the hands of Axis invaders ... If this unity formula fails, another will have to be

worked out .... Thus the probability is not that talk will stop. Rather, the danger is that the talk will go on and on until the Japs arrive -- when tongues will be hanging out in a different way."

Editorial feeling about India is tied in with general satisfaction over the creation of a Pacific War Council. American commentators are not without a certain pride in the fact that Washington has become the planning center for United Nations strategy, at least in the Far East. But they feel also that the equal representation given to Australia, China and India is a significant factor in determining the character of the war to be waged: it completes the transfer from a defense of imperialism to a peoples' struggle. There is beginning to seep through the press currently a belief that western exploitation of the Orient cannot be restored; that the British can never regain their control over Burma, Malaya, Hong Kong and India; that the United Nations can fight only for the genuine liberation of peoples everywhere.

The Pacific War Council is applauded, too, as an instrumentality for conducting the war more effectively. About the only criticism leveled against it is that it fails

to go far enough. The suggestion is now being advanced that a Supreme War Council be established to plan the global strategy of the whole United Nations war effort.

*file*

The Secretary of the Treasury

To Ferdinand Kuhn, Jr.

From Herbert Merillat

For your information

April 10, 1942

EDITORIAL OPINION  
ON THE HOME FRONT:  
A WELCOME TO WAR BONDS

The press has welcomed the switch from "Defense" Bonds to "War" Bonds, a change in name it has been suggesting for many weeks. The new designation, the editorial writers say, gives proper expression to the American revolt against a defensive state of mind. At the same time the press is worried over the March slump in Savings Bond sales. Many papers periodically urge their readers to buy more and more Bonds and point out that the January high of more than \$1 billion must become the monthly average if War Bonds are to play their allotted role in financing the war and curbing inflation. The decline of sales in March has called attention to the close relation of taxes to Bond purchases. To many commentators the recent trend indicates that too many people are using their spare change and accumulated savings to buy Bonds instead of systematically cutting normal spending and saving from current income.

Various plans to promote voluntary purchases have been taken up and boosted by the press. Payroll deductions, high pressure sales methods, overtime payments in Bonds -

all these have had a degree of support in the press. All agree that something must be done to raise the total of Bond sales. There is not yet, however, any widespread editorial demand for an American version of the Keynes "deferred pay" plan. It appears to be generally agreed that a voluntary Bond sales drive should be given a chance to prove itself before more drastic measures are adopted.

All in all, press sentiment favoring compulsory savings stands about where it did a year ago when the Keynes plan first aroused interest in this country. A few papers, both conservative and liberal, insist that the time has come to institute a compulsory savings plan. The list includes the Washington Post, the Minneapolis Star-Journal, the New York Post and the New Republic. Others see the plan as something which may soon become necessary, but the advocates of forced savings are very much in a minority. The press as a whole shows a positive preference for the voluntary method.

#### Excessive War Profits

The press is agreed that something must be done about excessive war profits. No section of the press, however, has a good word to say for the House proposal to limit profits on war contracts to 6 per cent of the cost of performance, or for the similar Senate Appropriations

Committee plan to provide a sliding scale of profit limits. Opposition to these plans, by the Treasury, WPB, and procurement services, has had a telling effect on the attitude of editorial writers. The best way to attack the excess profits problem, they say, is through taxation. Some see in the WPB proposal to require renegotiation of contracts a desirable complement to taxes as a means of keeping profits down.

In short, it is the consensus of editorial opinion that excess profits taxes, with tighter procurement policy and surveillance, are the best ways of preventing profiteering.

Editorial discussions of the excess profits problem are tied up with labor restrictions and price control. Charges of politics fly thick. The conservative press fears that Congress, alarmed by public demands for stern dealing with a few extreme examples of war profiteering, will slap on a hastily devised profit limit which will interfere with production and will not meet the problem of rising costs and wages. The liberal press, on the other hand, fears that Congress will enact a plausible but ineffective profit ceiling as sugar coating for restrictions on labor.

#### Sales Tax

The President's statement that he still opposes a sales

tax and the C.I.O. stand against the measure failed to provoke much editorial discussion. A few papers continue to campaign for a sales tax. The Seattle Times greeted with a red-letter banner headline the American Retail Federation's proposal of a 5 per cent retail sales tax. The majority of the press, however, is saying little on the subject, at least for the time being.

*file* For Your Information

April 17, 1942

To Ferdinand Kuhn, Jr.  
From Herbert Merillat

EDITORIAL OPINION  
ON THE HOME FRONT:  
THE BATTLE ON INFLATION

The growing danger of inflation has occupied the editorial mind more and more in the past fortnight. In "inflation control" the press has found a rubric to cover its chief demands for measures to combat the nation's domestic ills -- measures such as restrictions on labor, limits on war profits, over-all price control, increased taxation on low incomes, and compulsory savings. Editorial friend and foe alike are demanding that the Administration take the lead in an integrated all-out attack against inflation.

The White House conference of the President with Secretary Morgenthau, Price Administrator Henderson, Federal Reserve Chairman Eccles, and Budget Director Smith aroused hopes that the Administration would at last push such a campaign on a broad front. The press prophets jumped to the conclusion that the program would include freezing of wages, freezing of all prices, limits on profits, higher taxes than those recommended by the Treasury, and compulsory savings. News reports

throughout the country thus outlined the program in the most authoritative tones -- whether from a belief that this would actually be the Administration program or from a desire to bring pressure for such a program, it is impossible to say.

In any case, later developments changed the prognosticators' tune. Congressional leaders' reluctance to impose higher taxes and Secretary Morgenthau's proposal to push bond sales on a voluntary basis have knocked out two items on the program. Neither development has yet aroused much editorial comment.

The Richmond News-Leader says "Mr. Morgenthau still is overconfident in his judgment of what can be effected by the voluntary sale of government securities." The Washington Post also thinks the Secretary's hope is a forlorn one. It says that the pay-roll deduction method is not likely to succeed without pressure from above. Moreover, it says such a plan designed for sales to industrial workers will not reach the self-employed or persons not employed at all. It suggests that banks be given some financial inducement to push bond sales.

The Wall Street Journal is "glad Secretary Morgenthau is reluctant to adopt the idea" of compulsory savings.

"Indeed, we think its final and definite rejection might be a considerable stimulant to voluntary sales." The Philadelphia Inquirer also thinks "there is every reason to believe that" the Secretary's "confidence is not misplaced." It is optimistic over the possibilities of a sales campaign conducted by an army of volunteer workers. General editorial reaction, however, has not yet become clear.

Two recommendations predominate in the editorial demands for an inclusive program against inflation -- "over-all" freezing of prices, including wages, and heavier taxation of low incomes.

An over-all price ceiling on the Baruch model has widespread press support, as it did last year. In "I-told-you-so" tones many commentators remark that selective price control was bound to fail so long as wages and farm prices were not subject to effective restrictions.

The eastern metropolitan press, which discusses over-all freezing more critically than the press in general, points to the difficulties of now freezing retail prices, wholesale prices, wages, and profits in such a way that great injustice will not result.

Sales Tax

Additional taxes on low income groups are also insistently demanded by a large section of the press as a necessary item in the anti-inflation program. The first choice of most papers continues to be the sales tax. The President's recent reaffirmation of his dislike for a sales tax provoked editorial charges that he is unrealistic in continuing to oppose a measure needed to raise revenue and check inflation. The Wilmington Journal's comment is typical: "Time and again the President, Secretary Morgenthau, and other Administration leaders have served notice on the country that inflation must be avoided whatever the cost. Their warnings would have a ring of greater sincerity if they themselves were not so studiously determined to sidetrack the one plan -- a general sales tax -- which would most effectively check a buying rush and the consequent sky-rocketing of prices."

*file*  
For your information.

April 24, 1942.

To Ferdinand Kuhn, Jr.  
From Herbert Merillat

Editorial Opinion on Taxes:  
Waiting for Guidance

Editorial discussion of taxes and inflation has dropped off in the past week as the nation awaits the President's message outlining a broad attack against inflationary forces. The nature of the anti-inflation program has been the subject of lively speculation, but the press appears to be withholding comment until the program is authoritatively set forth.

Secretary Morgenthau's announcement of quotas and canvassing to increase War Bond sales has led the press to conclude that compulsory saving is not on the program, for the present at least. Papers representing every part of the country and every shade of opinion have rallied to support an intensified bond sales drive, but many doubt whether the campaign will draw off enough purchasing power to reduce the inflationary gap to safe proportions. "We are for it, but we wonder if it will work," is a typical editorial attitude.

Papers such as the Louisville Courier-Journal and Minneapolis Tribune, which have been urging compulsory

savings, regard the Treasury's attitude as unrealistic. The voluntary purchase plan, says the Tribune, "puts a penalty on patriotism and a premium on slacking." A compulsory savings plan is necessary to spread the load equitably. Many editorial writers have pointed out that if the voluntary purchase program does not show adequate results, compulsory savings or wage taxes will be inevitable. The Wall Street Journal and Philadelphia Inquirer urge that savings be "induced" by providing reduction or postponement of income taxes on income used to buy Savings Bonds.

Higher Tax Goal

Although the majority of the press has been campaigning for heavier taxes on low income groups -- a sales tax or a wage tax -- there has been little editorial demand for an increase in the tax revenue goal above the \$7.6 billions proposed by the Treasury. Mr. Henderson's appeal for even higher taxes to combat inflation met with little editorial approval. Several papers have advised Mr. Henderson not to disturb tax waters which are already muddied. Some point out the difficulty in using taxes to combat inflation, noting that heavy taxes hit shrunken incomes as well as swollen ones.

The Scripps-Howard papers, however, advocate heavier taxes than those recommended by the Treasury

on the ground that such taxes and compulsory savings are necessary to close the inflationary gap.

"Secretary Morgenthau," they say, "is not representing the best interests of anybody when he opposes effective anti-inflation taxes and compulsory investment in War Bonds." Likewise, Ernest K. Lindley's column accuses the Treasury of being "the hardest and the highest" obstacle to an effective inflation-control program, by continuing to insist on voluntary bond sales and no increase in taxes above its original recommendations.

#### Price Control

Editorial comment is varied regarding the role of price control in the anti-inflation program. Most papers agree that effective control of wages and farm prices is a prime necessity. While many find the Baruch "over-all" price ceiling a simple and attractive formula, others are disturbed by the inequities involved in freezing all prices as of a certain date. In general, however, the press expects and approves much stricter price control.

The Patterson-McCormick papers stand almost alone in opposing strict price control. They oppose price-fixing and its handmaiden, rationing, as unnecessary and

irritating. "More and more people are asking why we are fighting to make the world safe for democracy when the bureaucrats are destroying democracy right here at home," says the New York Daily News. "We still think there is life yet in the law of supply and demand, and that it might be able to solve our war-shortage problem better than the bureaucrats can."

For your information.

May 1, 1942.

To Ferdinand Kuhn, Jr.  
From Herbert Merillat

EDITORIAL OPINION  
ON THE HOME FRONT:  
THE SEVEN POINTS

Good in principle, disappointing in detail -- that is the typical editorial judgment on the President's seven-point anti-inflation program. A few papers, including such eastern metropolitan leaders as the Philadelphia Inquirer and Baltimore Sun, gave the President's message to Congress and radio address high praise as a courageous and realistic program to combat inflation. Most commentators throughout the country give full support to the President's thesis that all seven points are interdependent and must be put into effect without delay. At the same time, however, they feel that the President's recommendations are not specific enough, particularly in the fields of wage-control and taxation. Few have echoed the despairing tone of the New York Times, which feels that the President's program utterly fails to come to grips with the inflation problem.

In the view of most editorial writers the two gravest shortcomings of the President's plan of attack are: (1) the failure to recommend effective legislative control of wages, and (2) the failure to propose taxes on low incomes or compulsory savings to drain off swollen mass purchasing power which threatens to break down the dams of price control.

Papers in the Midwest and South have been especially critical of the President's insistence on retaining the basic 40-hour week and on leaving wage stabilization to administrative rather than legislative action. Editorial comment from those sections has been fairly cautious and reserved, but there is a noticeable undertone of pique that the President should propose to lower the ceiling on farm prices by legislative action and yet oppose legislative restrictions on labor. In the words of the Greenville (South Carolina) News: "It certainly seems logical to hold that if action which would decrease the earnings of any industrial worker is to be opposed, a similar attitude should be taken against action which would decrease the earnings of the farmer."

The Seven Points

1. Taxation. "We must tax heavily ... and keep personal and corporate profits at a reasonable rate."

We agree, say the editorial writers, that no one should be allowed to make excessive profits in this war, but they add that taxes on corporate profits and high bracket incomes have nothing to do with checking inflation. The only taxes that will effectively help to curb inflation are taxes that hit the mass purchasing power of the nation. The purchasing power which threatens to bid prices up, they say, is found in the three-quarters of the population who are not in the income tax base. Lower income tax exemptions, or a sales tax, or compulsory savings, or some combination of these, is necessary to close the inflationary gap. In failing to recommend such measures, say his editorial critics, the President has neglected the basic method of combating inflation.

Commentators are generally agreed that the proposal to limit individual incomes, after taxes, to \$25,000 was added as political sweetening to a recipe for inflation-control which called for sacrifices from various sections of the public. Reaction has been mixed. Many writers, while pointing out that the income ceiling has little significance as a revenue measure or a check on inflation, think it may be a desirable symbol of the sacrifices which rich and poor alike must make for the

duration. Others reject the proposal violently even as a symbol and attack it as a pointless, revolutionary measure which would serve no good purpose and undermine the capitalist system.

2. Price Control. "We must fix ceilings on the prices which consumers, retailers, wholesalers and manufacturers pay for the things they buy, and ceilings on rents for dwellings in all areas affected by war industries."

The O.P.A. order fixing prices in general has been accepted by the press with few complaints, but with definite reservations. A general price ceiling is regarded as a necessary item in the anti-inflation program, but editorial writers have renewed their insistence that wages and farm prices be strictly controlled by legislative action. It is widely recognized that the sudden freezing of a multitude of prices will result in many inequities which must be removed. Many writers show particular solicitude for retailers who must replenish stocks at inflated wholesale prices which will cut down or wipe out their margin of profit.

Most editorial criticism is of details of the plan. Some influential papers and writers, however, feel that the

general price-pegging, without taxes to sop up purchasing power, is an oppressive measure and represents a major blunder on the part of the Administration. The Administration, they say, relies too heavily on price controls to do a job which only taxation can effectively do. In the words of the New York Times: "By imposing a blanket ceiling on prices at the same time as it fails to withdraw excess consumer purchasing power from the nation, the Administration has undertaken an 'anti-inflation program' that threatens the maximum of complications, disruptions and Government controls with the least promise of successful results."

3. Wage Stabilization. "We must stabilize the remuneration received by individuals for their work."

As already noted, the President's failure to propose a legislative formula for stabilization of wages is the most universally criticized feature of his program. Farmers, management, income taxpayers, landlords, merchants -- these, the editorial critics point out, are to have their sacrifices written into law. Labor, on the other hand, is to be held in check only by administrative action, and the press is far from

trusting the Administration, particularly the War Labor Board, to impose strict wage controls.

4. Parity Farm Prices. "We must stabilize the prices received by growers for the products of their lands."

Most papers have praised the President for his courage in defying the farm bloc by proposing that "the ceiling on farm prices ... should be set at parity." This is one recommendation which meets a long-standing demand of the press in general. More than any other of his proposals, it impressed editorial writers with the seriousness of the President's purpose to check inflation. Papers in the farming regions, however, show little liking for a lower ceiling on farm prices as part of a program which, in their eyes, fails to deal equally strictly with labor.

5. War Bonds. "We must encourage all citizens to contribute to the cost of winning this war by purchasing War Bonds with their earnings ..."

The press is 100 per cent behind the drive to increase sales of War Bonds. There is a widespread feeling, however, that the Administration is relying too heavily and too hopefully on voluntary bond purchases to close the inflationary gap. Even if the sales campaign is remarkably successful,

say many commentators, the public will retain billions in purchasing power which can be immobilized only through compulsory savings or much heavier taxes on low incomes. The list of editorial advocates of compulsory savings continues to grow.

6. Rationing. "We must ration all essential commodities of which there is a scarcity."

There is almost complete editorial agreement that rationing of scarce goods is an essential and democratic feature of an anti-inflation program.

7. Installment Buying. "We must discourage credit and installment buying, and encourage the paying off of debts, mortgages, and other obligations."

This proposal has provoked little editorial comment. Those writers who mention the matter agree that it is a desirable measure, but of minor importance.

To summarize: The press thinks the President has laid down a reasonable and comprehensive general plan of attack on the inflation problem, but has failed to recommend adequate specific measures to achieve success. It is felt

that compulsory sacrifice on the part of labor and those who have new purchasing power must be written into law if the battle against inflation is to be won.