

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

8/3/43

Miss Egbert:

The chairman might be interested in the attached charts, particularly the comparisons with Canada and the United Kingdom.

D. M. J.

Mr. Kennedy
Mrs. Hodson

TREASURY DEPARTMENT
Washington

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8-2-43

Press Service
No. 37-88

Secretary Morgenthau today reminded the American taxpaying public that ninety-five cents out of every dollar of Federal expenditures is being routed directly into the war effort.

This means, Mr. Morgenthau explained, that \$36.8 billions of the approximately \$38.7 billions which President Roosevelt estimated in his revised budget summation would be received as revenues in the present fiscal year, will go toward the purchase of guns, tanks, ships and planes in order that decency may be restored to the world.

The Secretary made public a series of charts illustrating the American Federal tax structure. One chart of estimates for the fiscal year 1944 showed that tax dollars met only 36 percent of total Federal expenditures in the United States; 47 percent in Canada, and 52 percent in the United Kingdom. Another depicted the lower Federal income tax rates in this country in contrast with those of Canada and the United Kingdom, by showing examples in two important income levels. A third portrayed the slower rise in Government receipts in relationship to budgetary expenditures.

At the same time, Mr. Morgenthau declared that taxes are the best method of paying for the war - because they pay for the war once and for all.

"But obviously," he said, "the entire cost of the war cannot be financed by taxes alone. This would impose so heavy a tax burden that it would create impossible situations for certain groups despite all efforts to apportion the tax load equitably. The ability to pay varies greatly in all income groups.

"Because of this, flexibility is necessary in financing the war. The purchase of War Bonds lends to our program this necessary flexibility. It makes it possible for everyone to aid and participate in the war effort in accordance with the amount of money which they have over and above their essential cost of living.

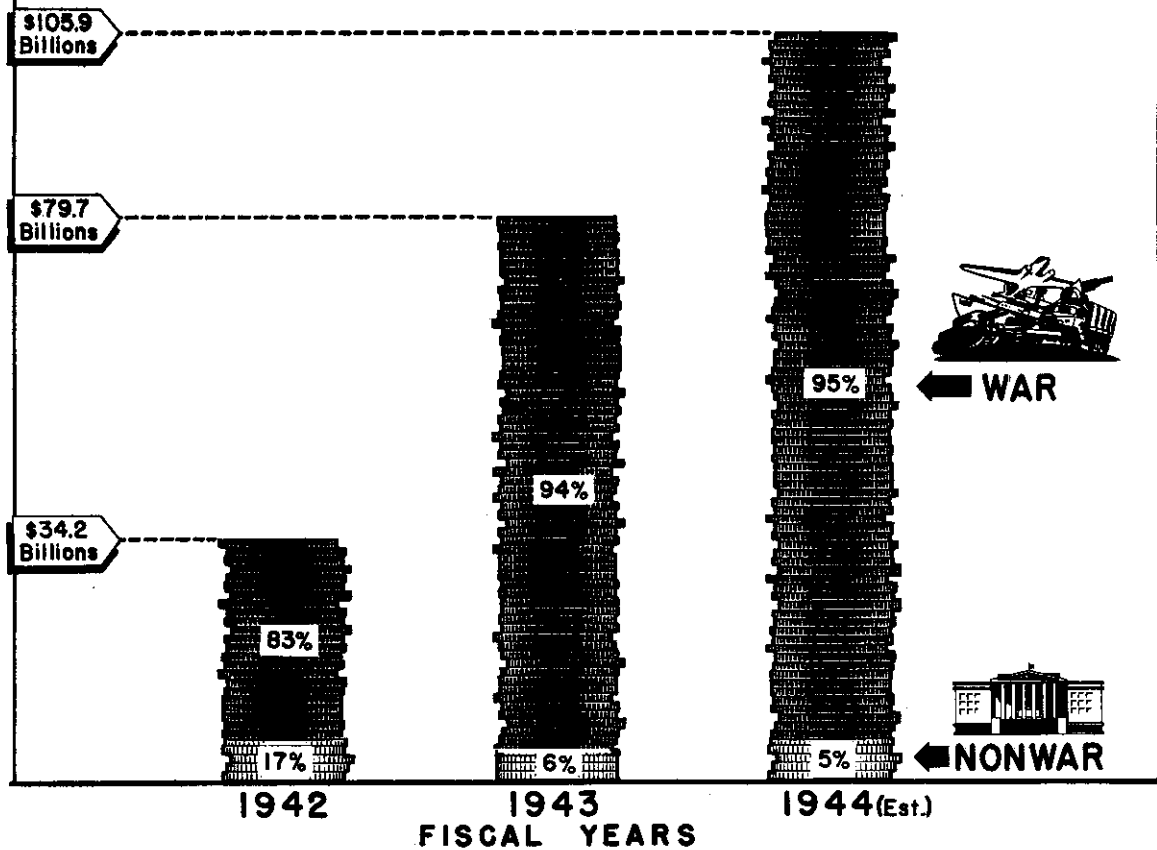
"Therefore, if we are to pay as much as possible out of our current national income for the cost of the war it is urgently necessary for individuals to pay high taxes and, in addition, buy and hold as many War Bonds as they can afford."

Mr. Morgenthau observed that, as a result of huge war expenditures (estimated at \$100 billions for the present fiscal year by President Roosevelt in his budget summation), the income of the people of this country - the total they receive in wages, salaries, farm income, dividends, etc., - now is the highest in history. Even after payment of the higher income taxes there will be more dollars to spend at a time when the amount of goods available is declining because of the demands of war production, he said.

"If people should try to spend this excess purchasing power," he concluded, "the upward pressure on prices would be serious. Thus, every tax dollar as well as every bond dollar does double duty; it provides funds needed urgently for winning the war, and checks the tendency toward rising prices."

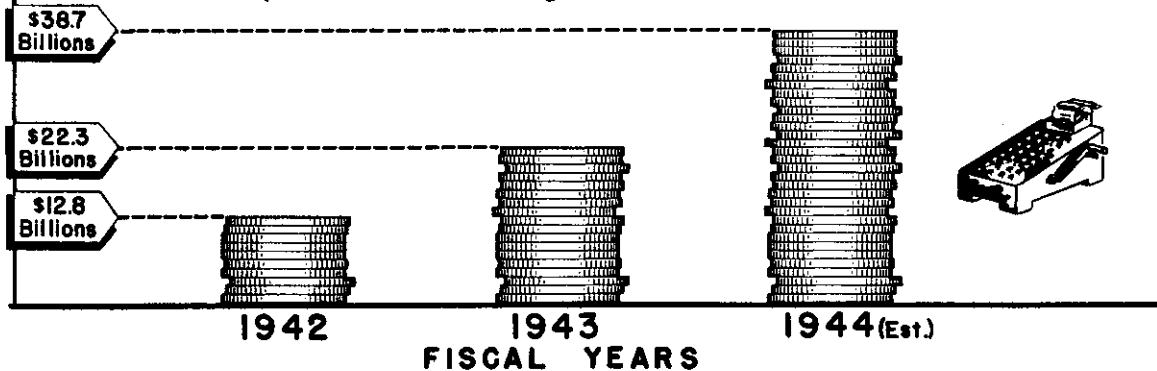
FEDERAL EXPENDITURES*

Most of the spending is in FIGHTING DOLLARS



FEDERAL RECEIPTS†

Receipts are increasing but so is National Income



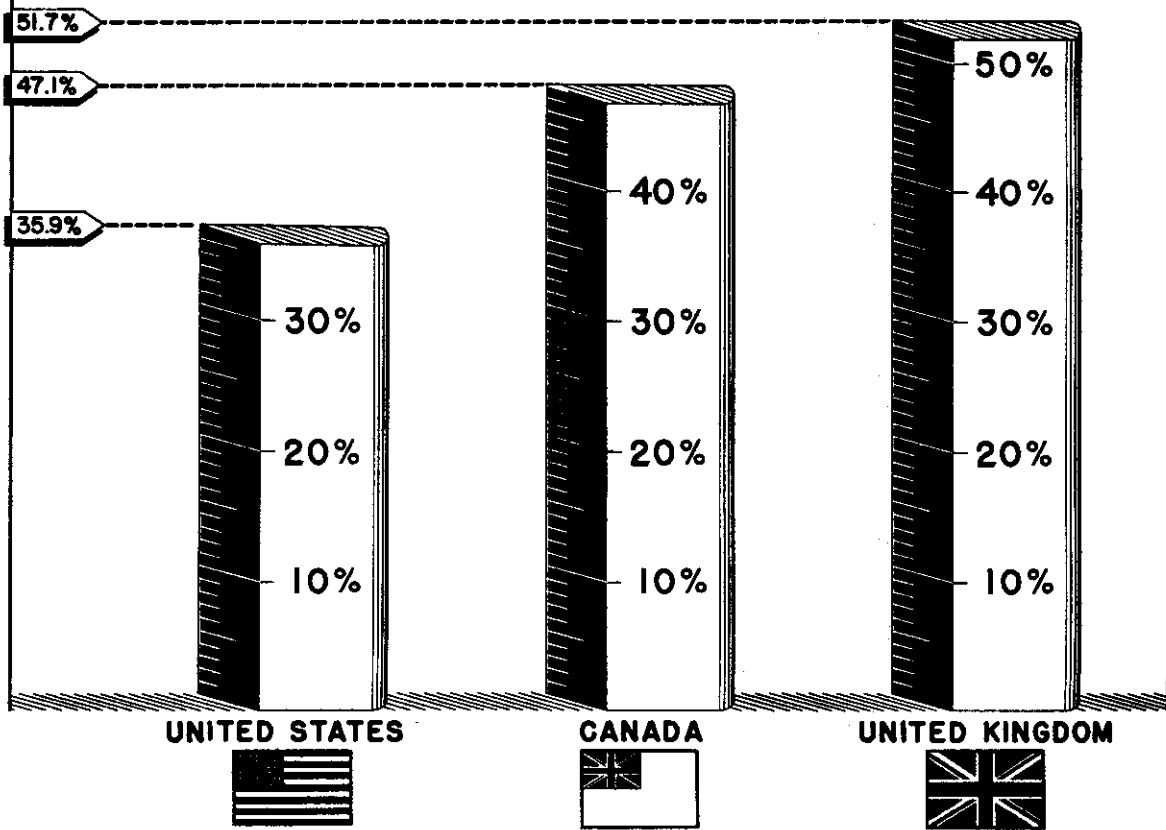
* Excludes public debt retirements; includes net expenditures of Government corporations.

† Total receipts less net appropriation to Federal old-age and survivors insurance trust fund.

WHAT PART OF OUR FEDERAL EXPENDITURES IS PAID BY TAXES

As Compared With Other Countries

FISCAL YEAR 1944 (EST.)



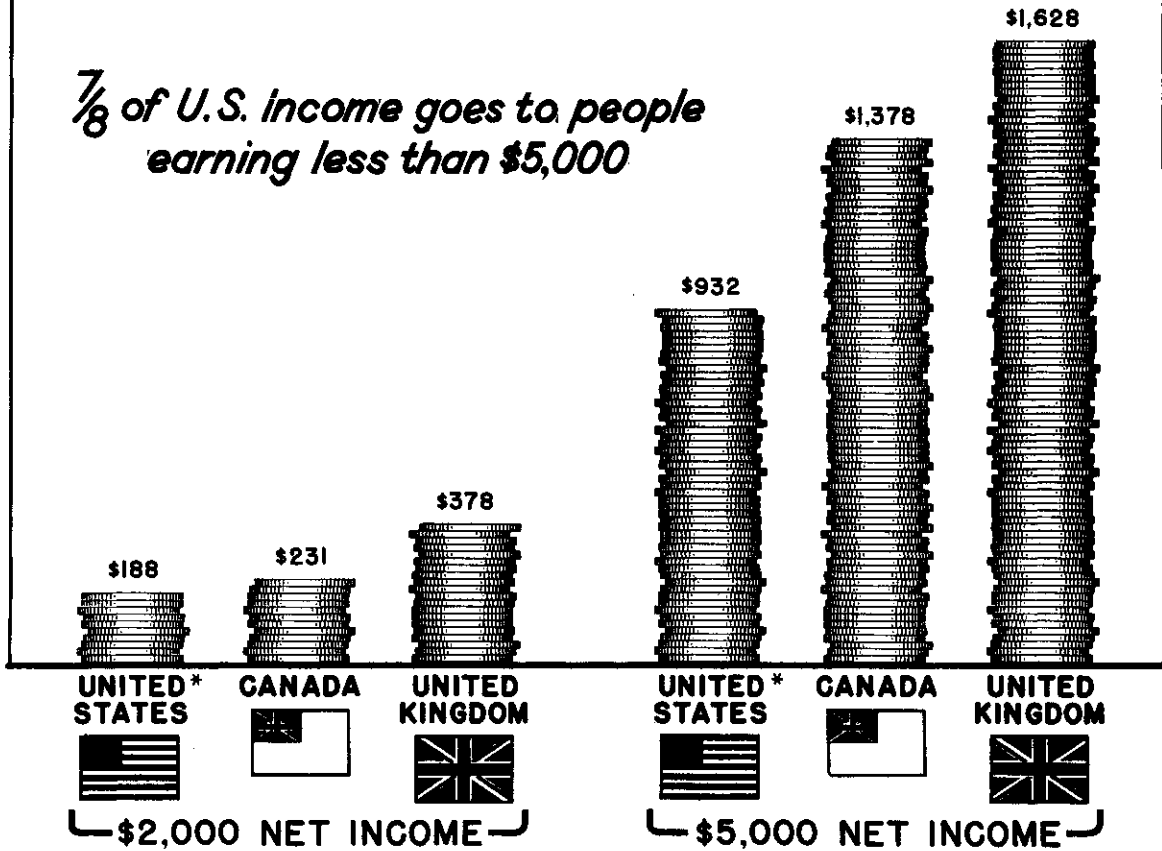
* Excluding Social Security



INCOME TAX FOR MARRIED PERSON, NO DEPENDENTS

Present Rates. After Postwar Credit

*7/8 of U.S. income goes to people
earning less than \$5,000*



**U.S. includes net victory tax and N.Y. State income tax*