

1880 Monte Vista Avenue,  
Pasadena, California.  
March 12, 1943.

Mr. Marriner S. Eccles,  
Chairman, Federal Reserve Board of Governors,  
Chicago, Illinois.

My Dear Mr. Eccles:

It is with no thought of personal vituperation or of personal loss that I write this letter. It is rather what I am pleased to term an "expression of horse-sense from a man in the street", and is prompted by the reading of an AP news release in which you are quoted as favoring certain things, namely a 30% with holding tax and the postponement of all overtime pay until the end of the war.

I fully realize that you are prompted to these suggestions by purely patriotic motives, and I should like to be one of the first to applaud your motive and your sagacity in bringing forth any program which might hasten the victory of the United States over the unspeakable tyranny of possible axis domination. However, under circumstances as they exist now, I firmly believe that with all facts in hand you would be one of the first to rescind such an idea.

I shall cite a case which I know better than any other in presenting my reasons for such a statement. I know these facts to be true, for I shall take the liberty to use my own position as a base for my contention.

A year ago I was the owner and operator of a going business; laundry, dry cleaning, fur storage, and linen supply service. This business was located in Borger, Texas, an oil and carbon black town located approximately 50 miles Northeast of Amarillo, Texas, and the seat of refining for much of the 100 octane gasoline so necessary to our planes and other implements of war. Today I am an inspector for the Vega Aircraft Corporation. The reasons for such a step are simple.

A year ago a laundry in Amarillo had, through unethical competition forced our revenue down to the lowest return per pound of my entire business career of some fifteen years. And the OPA froze our prices at that level. My requests for a revision of our price schedules was met with a firm and none too polite refusal, and consequently, in August, 1942, I assigned my interest in this business to my creditors. The business was worth roughly some \$67,000.00. My creditors obtained it for less than \$30,000.00----but my name was clear of any stigma of bankruptcy!

I went to Seattle, Washington and went to work for the Boeing Aircraft Corporation, and it is with my salary, or rather wages on that

and my subsequent employment here with Vega that I should like to dwell.

At Boeing I drew pay at the rate of 85¢ per hour, and I assure you that such rate was 22½¢ per hour more than the starting minimum. My weekly wage under that scale was \$34.00 for straight time and \$10.20 per week for eight hours overtime, a total of \$44.20 per week. Under your proposal of a 30% tax and with holding of all overtime pay I shall show you what would have been left me for a livelihood. The deductions under that plan would have been as follows.

With holding tax, 30%-----	\$10.20
Overtime pay with held-----	10.20
Unemployment Insurance-----	.44
Old Age Benefits-----	.44
Accident Insurance-----	1.06
War Bonds-----	3.75
Total Deductions-----	<u>\$ 26.05</u>
Net income for livelihood-----	\$ 18.15

At the present time my rate of pay is \$1.05, and I can assure you that these raises in pay have been granted me without my asking for them, for I do not belong to any Union; I don't believe in Unions as they are now operated; and the increases in wage rates are for ability only. I shall show my present income under your plan, my regular pay being \$44.40 for 40 hours (swing shift differential included) and \$13.32 for eight hours overtime, a total of \$57.72 per week.

Withholding tax, 30%-----	\$ 13.32
Overtime pay withheld-----	13.32
Unemployment insurance-----	.58
Old Age Benfits-----	.58
War Bonds-----	3.75
Accident Insurance-----	1.06
Total Deductions-----	<u>\$ 32.61</u>
Net Income for livelihood-----	\$ 25.11

When I gave up my business everything I owned other than my personal effects went with it. This included my automobile and in fact all but our household furnishings and my home. I yet have my home; some of our furnishings were sold, they being too hard to move, and the family requiring a certain amount of cash money upon which to exist. In other words I salvaged nothing from the wreck.


We are buying a little furniture now. I purchased a 1931 Ford to go to and from work, and owe a balance on it, as well as on some of our furniture. Our rent, and it is low as rents go here, is \$45.00 per month, and we pay our own utility bills. Groceries are high, price ceilings notwithstanding, for a ceiling was placed on too few things and too late.

I am not complaining. I am ready to do the impossible to help win this war, But Mr. Eccles, you are financier enough to see what this

step would mean to the rank and file of American working men. If I were the only man affected; and if I happened to be drawing the minimum wage, i.e., if my wages were the minimum paid, then, and in that case, things might possibly be arranged. But sir, there are many men who are working for 60c per hour in defense industries. This brings them a total of \$31.20 per week including overtime----how can they live on this wage and still meet the terms of your proposal?

I should appreciate an answer, not for publication, but as one business man to another and as one American to another. I am not rebelling against the United States Government, regardless of the steps they take, but so many of their steps have been apparently ill-advised that I shall be happy indeed to receive a communication from one who has had the horse-sense to keep his feet on the ground and his head out of the clouds as have you in your steering of the Federal Reserve Board.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. B. Wilkison', with a long, sweeping underline that extends to the right.

H. B. Wilkison

March 18, 1943.

Mr. H. B. Wilkison,  
1880 Monte Vista Avenue,  
Pasadena, California.

Dear Mr. Wilkison:

As Mr. Eccles is temporarily on a visit in the West, I wish to acknowledge your interesting letter of March 12. The newspaper accounts of Mr. Eccles' speech to which you refer were somewhat misleading.

I enclose a copy of the text of his address, from which you will see that it is not proposed to withhold 30 per cent of your regular pay. His proposal is to repeal the Victory tax and then withhold 30 per cent after deductions and to put the tax on a current basis under something like the Ruml plan, so that in effect instead of your drawing the money and paying the tax collector, the tax collector would take it out at the source before it gets into the spending stream and has inflationary effects. You would pay no more than you do now.

A married man earning, say, \$2500.00 a year would have, first of all, a personal exemption of \$1200.00, leaving \$1300.00 on which to pay tax, assuming there were no additional deductions for interest, etc. Let us say, however, that the taxable amount is \$1200.00. Under the present law the tax on that amount would be 6 per cent normal tax, which is \$72.00 after deducting 10 per cent for earned income, and the 13 per cent surtax would amount to approximately \$156.00, so that the total income tax would be \$228.00. In addition, there is at present the 5 per cent Victory tax, which Mr. Eccles proposes to repeal if the 30 per cent withholding tax is to be put into effect. The 5 per cent Victory tax added to the \$228.00 makes a total of \$283.80.

Mr. Eccles' suggestion is that 30 per cent of the \$1200.00, or approximately that amount, be withheld, which would come to \$360.00 on this income. He would provide for a post-war credit of about 5 per cent, which is \$18.00. The net effect would be that whereas the man with the \$2500.00 income to which I have referred is now paying \$283.80 in round numbers, under Mr. Eccles' plan \$360.00 would come out of his pay envelope. So the difference is small and would probably disappear entirely when you figure in the post-war credit on the Victory tax and his proposed 5 per cent post-war credit.

You will see from this rough example that the way you figure it is not correct.

Mr. H. B. Wilkison - (2)

March 18, 1943

As to the overtime pay, his proposal is that the premium pay be given in a post-war credit. This means that just the half-time for overtime would be so paid and you would continue to receive the regular time over forty hours a week. In your case, as I figure it, you receive \$1.11 an hour for forty hours, which amounts to \$4.40. Let us say you work forty-eight hours a week and your regular pay for the extra eight hours would therefore be \$8.88. Adding in half-time for the overtime, or \$4.44, it comes to \$13.32, as you state. What Mr. Eccles suggested was that the \$4.44 be treated as a post-war credit.

Your letter is so fair and reasonable that I wanted to try to explain as simply as I could - and I trust my mathematics are approximately correct - how Mr. Eccles' suggestion would work out. I shall make a point of showing your letter to Mr. Eccles upon his return because it is encouraging to have a letter like yours, reflecting a willingness to do whatever is necessary, notwithstanding the fact that you have been a particular victim of economic difficulties not of your own making.

Sincerely yours,

Elliott Thurston,  
Special Assistant  
to the Chairman.

Enclosure

ET:b

March 25, 1943.

Mr. H. B. Wilkison,  
1880 Monte Vista Avenue,  
Pasadena, California.

Dear Mr. Wilkison:

In my letter to you of March 18, I miscalculated the deduction for earned income, as Mr. Eccles noted when he went over your letter very carefully.

The third paragraph of my letter, second sentence, should read, "Under the present law the tax on that amount would be 6 per cent normal tax, which is \$57.00 after deducting 10 per cent for earned income", etc. This would make the total tax, exclusive of the Victory tax, \$213.00 instead of \$220.80.

I think that is approximately correct on the case which I am assuming for purposes of illustration.

Sincerely yours,

Elliott Thurston,  
Special Assistant  
to the Chairman.

ET:b