

Weekly News Analysis

Wage Earners May Carry Load In New U. S. Taxation Program

By Joseph W. La Bine

EDITOR'S NOTE—When opinions are expressed in these columns, they are those of the news analyst, and not necessarily of the newspaper.

Taxation

Recent federal taxation policies have been based on the theory that business should bear the brunt. For this or some other reason, business has operated at a loss, laid off workers and precipitated economic depression.



EDSEL FORD He offered an incentive.

that government will look instead to the small wage earner for its new monetary requirements.

Even as Auto Manufacturer Edsel Ford was telling a senate sub-committee that a general tax reduction would be "as good a business incentive as any," three outstanding forecasts could be sifted from the financial gymnastics of budget-making treasury experts:

Economy. Although Federal Reserve Chairman Marriner S. Eccles has plumped publicly against premature reduction in federal expenditures, Treasury Secretary Henry Morgenthau is essentially economy-minded. In this policy he has the support of his new tax adviser, Undersecretary John W. Hanes, a recent recruit from Wall street who believes budget balancing would stimulate the confidence of business.

Pay-As-You-Go. The billion-dollar rearmament plan, which is due for strenuous congressional opposition, will not be allowed to increase the federal deficit. Though the President has not indicated what new taxation method he will use to finance the project, there is guarded admission that a 10 per cent tax will be placed on present income taxes.

Lower Bracket Income Taxes. Married men are now allowed \$2,500 exemption, which might be decreased to \$2,000 or even \$1,800. Exemptions for single persons, now \$1,000, would be dropped to \$800 or \$750. While this would boost revenue by only \$60,400,000, it would place bigger wage earners in higher surtax brackets and bring the treasury an additional \$250,000,000.

refusing to intervene even if Germany threatens France's ally, Russia. Within 48 hours after the Franco-German pact was signed, Berlin opened a noisy propaganda campaign against Rumania's King Carol, who has been actively purging Nazi partisans from his government.

Italy. France must permit fulfillment of Italy's "vital aspirations" in the Mediterranean or incur the wrath of Adolf Hitler, Italy's friend. Though Foreign Minister von Ribbentrop declined to answer immediately the French question of what Germany would do in a Mediterranean crisis provoked by Italian demands, Germany's course hardly needs clarification.

Labor

Both the American Federation of Labor and the Congress of Industrial Organizations insist the national labor relations act must not be changed, but A. F. of L. hurls constant criticism at the board President Roosevelt has appointed to interpret that act. One bit of criticism centered around the labor board's order to New York's Consolidated Edison company, forcing abrogation of a bargaining contract with A. F. of L.

When A. F. of L. President William Green heard the U. S. Supreme court had voided this NLRB order, his joy was unbounded: "This knocks the props out from under the board's arbitrary, prejudicial and grossly unfair position."

Although Consolidated Edison operates chiefly in New York, the court ruled its labor relations were still subject to NLRB regulation. Thus was the scope of federal regulation under the interstate commerce clause given broad extension, paving the way for legislation which could make the potent Wagner act seem mere child's play.

Predicted as a subject for congressional debate is extension of the highly satisfactory railway labor act to include all industry. If such leg-



A. F. OF L.'S WILLIAM GREEN His victory brought a prediction.

islation could be so successful as the railway act, neither labor nor capital would have much cause for complaint. The record: since 1926 there has been only one minor four-day railroad strike. The reason: either carrier or labor can carry its grievances to the national mediation board, and if this group fails to bring peace the President appoints a fact-finding commission. No strike may take place until 30 days after this group reports.

That some such regulation will eventually guide all capital-labor relations is quite likely. Though this will not emerge from the next congress, 1939 will positively bring Wagner act amendments in the general direction.

Miscellany

Motorists bound for Pasadena's Rose Bowl football game next month will be guided by aerial traffic policemen whose broadcasts can be picked up by any car radio.

Three acres added to Bedloe's island, home of the Statue of Liberty, have created a problem for congress. Under a treaty in 1834, the island was given to New York, but all land around it went to New Jersey. The extra three acres apparently belong to New Jersey.

Pan-America

Before they left to attend the eighth Pan-American conference at Lima, U. S. delegates spoke optimistically of efforts to unite the Western hemisphere into a solid bloc opposing European aggressors. But the picture looked vastly different from below the equator. At Lima they found representatives of 20 other American nations who exhibited justified coolness toward the "colossus of the north" whose President has taken the lead in what might be another attempt at "Yankee imperialism."

With the conference still expected to run several weeks, it becomes clear that what support Secretary of State Cordell Hull gains for President Roosevelt's hemispheric defense plan will be in principle only, merely a resolution of endorsement. Counting noses, Mr. Hull found his strongest friend in Brazil. His most powerful enemy was Argentina, disgruntled over U. S. attempts to invade her export wheat market. Not invited, but nevertheless present, were envoys from Nazi Germany who sought to smash Mr. Hull's hopes for concrete measures against political and cultural invasion from Europe.

Jobs Wanted

MAYOR—Secretary of the Interior Harold L. Ickes, may retire from office to run for Democratic nomination as Chicago's mayor.

PRESIDENT—John Nance Garner, vice president of the U. S., is being boomed for the presidency by his boyhood friends at Detroit, Texas. One claim to fame: the mud-chinked log cabin where Garner was born.

SECRETARY—Anthony Eden, who retired as British foreign secretary in opposition to Prime Minister Neville Chamberlain, may return to the cabinet next month as dominions secretary.

LEADER—Massachusetts' Rep. Joseph Martin will be elected house Republican leader on the first ballot next month, since 109 of the 169 G. O. P. partisans have assured him their support.

Business

Last spring the New York legislature passed a bill which potentially effects every citizen in the U. S. Reducing from 6 to 5 per cent the interest which life insurance companies may charge on policy loans, the Piper-O'Brien bill has necessitated nation-wide revision of interest rates because insurance companies cannot charge different rates in different states.

Upshot is that most companies are boosting their premium charges from 10 to 20 per cent on policies written after January 1, although many firms made the change December 1. Policies in effect before the readjustment will not be affected, but in addition to lower interest rate and higher premiums, the following additional revisions will be made on most new policies: (1) reduction of guaranteed interest rates to beneficiaries; (2) lower interest rates on dividends left with companies; (3) increased premiums on endowment annuity policies; (4) withdrawal or substantial change in certain types of contracts.

By reducing policy loan interest charges from 6 to 5 per cent, insurance firms will lose annual revenue totaling \$50,000,000. Other factors necessitating higher premiums include the difficulty of finding satisfactory capital markets, and the small amount of new financing now being done.

Politics

It is plausible that November election gains by the liberalized Republican party should give strength to old-line Republicans who have taken a back seat in party affairs since the disastrous defeat of 1936. This very thing happened at the recent national committee conference in Washington, where confident liberals found themselves confronted with an unexpectedly strong faction of Hoover, duPont and Liberty league Republicans. A still more important shift is that liberal G. O. P. strength, which originated in the rural areas, has moved to metropolitan cities and has been supplanted in the small towns by a stronger conservative element. Having appointed a conservative (ex-Sen. Daniel O. Hastings of Delaware) and a liberal (Harvey Jewett of South Dakota) to fill two executive committee vacancies, the party now finds itself deadlocked on a future course. Though much talk is heard of potential 1940 candidates, it is believed the party must first decide which way its course shall be set—to liberalism as evidenced since 1936, or to conservatism.

People

The name of Masaryk, famous in Czechoslovakian history since Thomas G. Masaryk founded the nation 20 years ago, will leave that nation's officialdom forever on January 1. Jan Masaryk, son of the Czech "father" and minister to Great Britain for 14 years, has announced his retirement in protest over his country's capitulation to Germany. After visiting the U. S., he will live in England.

Bruckart's Washington Digest

Official Title Does Strange Things to Mentalities of Men

Government by Men Instead of by Law Seems to Be the Rule; Undue Power Is Given Into Hands of Bureaucrats; Congress Should Take Heed.

By WILLIAM BRUCKART WNU Service, National Press Bldg., Washington, D. C.

WASHINGTON.—It is a strange thing what an official title will cause many men and women to do. It is equally strange what many of them will attempt to do under the guise of the official sanction which they usurp at every opportunity. I do not intend to include all public officials but I dare say that everyone who reads these lines can look about him and discover in his midst or recall others who, as soon as they began wearing a title, developed a "big head," got "puffed up" and otherwise assumed a high-and-mighty attitude.

Few persons probably would need to be concerned if the circumstance involved only this outward appearance. I am sure I wouldn't care whether some official believed himself to be a son of the sun-god and, therefore, counted himself great. But when the mental attitude of that official begins manifesting itself as it so often does by usurpation of improper and illegal power; when he regards himself as judge and jury, as well as prosecutor, then it seems to me that a halt ought to be called.

All of the above observations are made just as a prelude to discussion of a recent action by the department of justice. More accurately, it should be said the action was by Professor Thurmond Arnold who has great pride in his ability as a trust buster. He also frequently has let it be known—with due modesty, of course—that he possesses knowledge in many fields. His career as a university professor obviously fitted him with great understanding of problems and practices of business men. Mr. Arnold has not yet undertaken to solve the difficulties of agriculture, but I reckon that is only a question of time.

Indictment Used as Club Over Auto Corporations

But, again, I am not so much concerned with Mr. Arnold's own estimate of Mr. Arnold, but with the results flowing from that official's acts.

The act that brings on this discussion was involved in what is known as a consent decree. The department of justice obtained a grand jury indictment of some of the larger automobile manufacturing corporations and their officials under anti-trust statutes. The charges involved the use, by the companies, of what were described as monopolistic practices in the financing of new cars sold to installment buyers. Each of the larger companies, as I understand it, owns a subsidiary corporation to which a retail dealer can sell the notes he takes when the buyer of a car wants to pay for the vehicle over a period of a year or longer.

I do not know the intricate nature of the scheme, and there may have been many grounds for the indictment. Indeed, I think a grand jury would not have returned an indictment unless its members saw something that was not proper. But when the department of justice had the indictment, it used it as a club. Its officials, under Mr. Arnold's guidance, are reported to have said to the motor magnates, in effect: now, if you admit certain of these charges and agree to stop the practices, and if you will agree to comply with certain other conditions which we lay down, we will not prosecute, criminally. So, the motor companies apparently elected to agree and avoid further prosecution. Thus, there came about a decree by the consent of the accused.

In the first place, I can not believe there is any legal right in our laws for the consent decree. It has been used a long time, but it seems to me that it contains very dangerous elements. It ought to be stopped and there ought to be no indictments brought unless there is an intention to carry the battle clear through. There ought to be either a conviction or an acquittal.

Arnold Assumes Dictation Over Auto Advertising

In the case of the motor manufacturers, however, Mr. Arnold's determination to make things over has come to the surface to an even greater extent than heretofore, even with Mr. Arnold. For Mr. Arnold has decided that the motor companies have been spending too much money for advertising their products. In spending so much money for advertising, Mr. Arnold opines that they are thereby creating a monopoly. In other words, as a trust buster, Mr. Arnold figures that he can become boss of the normal practice of business advertising. It can be construed no other way.

I have looked into the question from a number of angles and have consulted with numerous individuals who know their law better than I know mine. Nowhere have I found

any power vested in the department of justice for control of advertising. I should regret it very much if congress ever had passed a law giving authority for any agency of government to do more than prosecute advertisers who use dishonest statements. That is to say, if the advertising statements are crooked, punishment ought to follow. If the advertising is honest, what business has government hounding into it?

The reason I feel so keenly about this sort of thing is that it is a trend in government, from the national government on down the line, to do things indirectly—to do many things without genuine authority of law. We as a nation always have supported the theory of rule by the majority. We have legislative bodies—the congress, the state assemblies, the city councils and so on—to enact the will of the majority into law. But in the motor case and in dozens of others which could be mentioned, the public official with the "boss" complex takes things into his own hands and usually gets away with his perfidy.

Undue Power Is Given Into Hands of Bureaucrats

Congress, itself, is to blame many times for putting undue power into the hands of bureaucrats. There is seldom any law passed by congress that does not include a provision which authorizes an executive agency, administering the statute, to promulgate regulations for carrying out the law's intent. Those regulations, needless to say, have the force and effect of law, and thus congress has delegated power about which the individual representatives and senators know nothing.

On the other hand, except for the trait that I have been discussing—one so boldly evident in Mr. Arnold—those regulations could be drawn in nearly every instance to give individuals all of the freedom needed to transact business, instead of piling one restriction upon another. I doubt very much that any one person in the whole United States knows all of the restrictions—the do's and the don'ts—that comprise the law of the nation today. No one knows them because it would require an entire lifetime of an individual to obtain them and read them. And before he had read very many, there would be a new crop; there would be changes in those he had read, and there would be new laws with new regulations.

We have heard much in late years about government by men rather than government by law. Well, we have it in this country in a big way. It is not as bad, of course, as in the case of Hitler or Mussolini or Stalin. When those brothers want to change a law, they change it by decree. They may go through the formality of a "ratification" by a set of stooges some time, but the stooges were selected as yes-men long in advance. Everyone has read of the Jewish atrocities in Germany, but the monstrosity, itself, overshadowed the fact that during all of the purge, there was one decree-law after another being issued from Hitler's headquarters. Each time somebody found a loophole or the officials discovered a previous decree did not accomplish all that was desired, out would pop a new decree.

Congress Might Well Take Notice of These Conditions

Having seen what can happen when men, instead of laws, constitute the authority for government, it seems to me that congress might well take notice. It has given birth to children in the form of countless regulations that are running around the land like so many thousand-legged monsters. Why, I wonder, does not congress take a look at what has sprung from its own family of laws. To grow facetious for a moment: congress probably would find trouble with its own "in-laws," as well as private persons whose mothers-in-law have been characterized in story.

I have wondered many times whether more than a very small number of farmers ever understood the AAA contracts, and the regulations to which those contracts referred. Examination of the terms gave me little inkling of how thoroughly the signers were bound, although, as AAA officials often explained, the provisions were plainly printed. That fact, however, never has altered a really bad situation. None of us can be expert in all things. We, therefore, are more or less at the mercy of the individuals who are clothed with the power of office and who relegate to themselves additional power because they know those against whom it is used frequently have no understanding of the whole situation. Thus, I reiterate, it appears to be time for congress to review its own work and make government understandable.

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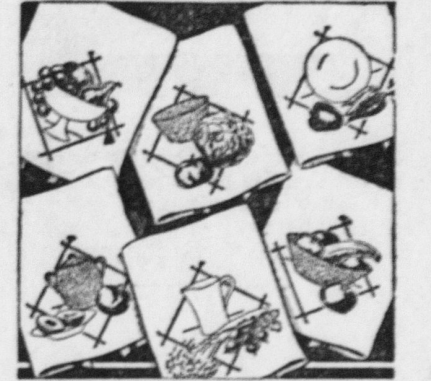
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Palace Depression

The Palace Depression is in Vineland, N. J. It was built by George Daynor who, arriving in that town with no funds, settled in an automobile junk yard. Without plans or tools he began constructing the house from discarded materials such as automobiles, rocks, logs and clay. He cleared the swampy, mosquito-infested land and beautified it with plantings of flowers and shrubbery.

After three years' work the house was opened to the public on December 25, 1932. Thousands of visitors come to see the place, which is a monument to the ingenuity of man.

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