

Weekly News Analysis

Has Britain Ceased Appeasing?
Paris Has Reason to Doubt It

By Joseph W. La Bine

EDITOR'S NOTE—When opinions are expressed in these columns, they are those of the newspaper.

Europe

At Rome, British Prime Minister Neville Chamberlain had received no reassurances but merely Benito Mussolini's threat to end the Spanish war immediately by helping Rebels against Loyalists. That done, Il Duce would have his hands free to press Mediterranean territorial demands against France. England and France could choose between helping the Loyalists or keeping hands off and letting Mussolini win the war. Since Chamberlain had reportedly made no concession in Rome, it was first thought a new policy of non-appeasement was dawning, inferring a Franco-British pump for the Loyalists.

But within a few days some negative results of the Rome conversations were apparent. Back in London, Mr. Chamberlain paid no attention to a letter from Clement R. Atlee, Parliament's labor leader: "It is obvious that the policy of non-intervention (in Spain) has now be-



LABOR'S CLEMENT ATLEE
Mr. Chamberlain ignored his letter.

come the means of insuring that the Spanish (Loyalist) government shall be unable to provide for its defense against aggression by a foreign power."

In Paris, where first news of Chamberlain's alleged non-appeasement was greeted by demands for French assistance to Loyalist Spain as a self-defense measure, later news from London brought a cooling off. The whispers: That Chamberlain had secretly agreed with Mussolini to let Rebel Spain win, constituting an additional appeasement at the expense of France. Whatever the cause, the Paris chamber of deputies felt obliged to approve Foreign Minister Georges Bonnet's declaration decreeing "hands off" in Spain.

Meanwhile, despite disastrous losses in northeastern Catalonia, Spain's Loyalists felt their cause was not defeated. Authoritatively reported from Paris was the fact that Loyalists had reached an understanding with the Vatican, aided by a growing Catholic opinion that Rebel Generalissimo Francisco Franco may be using the religious issue merely as a cloak for his fundamental Fascist aims. Nevertheless, Loyalist Spain still has much weaker friends than General Franco, who continues to get aid from both Italy and Germany.

Pressing their current advantage, Berlin and Rome are hastening diplomatic victories in the east before Britain gets around to calling a new four-power conference for European peace. While Italy's Count Galeazzo Ciano visits in Jugoslavia and Warsaw, Germany is making hay in at least three eastern countries: (1) A \$60,000,000 credit agreement has been signed with Turkey for delivery of German manufactured goods; (2) Germany has accredited a minister to Saudi Arabia; (3) Hungary and Germany have tightened their bonds.

Agriculture

When commodity prices drop, U. S. farmers co-operating in the AAA crop control program receive parity payments, designed to maintain farm purchasing power. Under the first AAA parity payments came from processing taxes, later outlawed by the Supreme court. Under the second AAA parity payments merely increase the federal deficit since last winter's congress made no provision for them. This shortcoming was brought to congress' attention in President Roosevelt's recent budget message.

But even the President has failed to suggest means of financing the payments, having merely stipulated that no new taxes shall be levied which increase the consumers' burden. Processing taxes would do this but Secretary of Agriculture Henry A. Wallace favors pulling this trick from the bag once more, hoping a liberalized Supreme court will approve the idea. Secretary of the Treasury Henry Morgenthau, whose department must handle the deal, opposes processing taxes.

Since the administration cannot agree on a method of financing cur-

rent parity payments of \$212,000,000, congress is in no mood to take the initiative. It may well be that this indecision is responsible for revival of last year's McAdoo-Eicher farm bill, just reintroduced in house and senate respectively by North Dakota's Rep. William Lemke and Sen. Lynn J. Frazier. Its crux: Minimum cost-of-production price levels would be established for domestically consumed farm products, while all surplus products would be dumped on world markets for whatever they would bring. Proceeds, less marketing costs, would be returned to the farmer.

Cost-of-production critics argue that removal of crop restrictions would glut the market, drive prices down and force grain dealers to pay a large margin between the actual market price and the cost-of-production price. This margin, it is maintained, would eventually be assessed against the consumer.

Taxation

Two former U. S. treasury secretaries, Andrew W. Mellon and Ogden L. Mills, condemned the inequity of tax exempt federal, state and local bonds. Since his "soak-the-rich" revenue proposal of 1935, President Roosevelt has fought tax exempt securities and one other unpopular exemption, that on federal, state and local employees' salaries. If these exemptions could be abolished the U. S. government figures it would net eventually \$300,000,000 annually from government securities, plus \$16,000,000 from employees' income taxes.

One day before the President offered this program to congress in a special message, he sent Treasury Undersecretary John W. Hanes to pave the way before a special senate committee. Said Mr. Hanes: "The time for action has come."

The Constitution's Sixteenth amendment gives congress power to "lay and collect taxes on incomes from whatever source derived," therefore the administration thinks statutory enactment rather than constitutional amendment will suffice. Later, after congress has spoken, the courts can decide whether its action is constitutional. Argued Mr. Hanes:

Tax exempt securities now permit many large-income persons to escape income taxes entirely, therefore they are unfair. The \$65,000,000 in tax exempt securities now outstanding (of which some \$50,000,000 would be taxable) is so formidable that it discourages investing in private enterprises involving risk. Thus industry cannot compete. As for income tax exemptions, the U. S. Supreme court has already set a precedent by ruling that salaries of such quasi-public agencies as the Port of New York authority are subject to federal taxation.

As might be expected, state and local groups jumped into the fight overnight. Argued the Conference



TREASURY'S HANES
"The time for action has come."

of State Defense: Tax yield would not approach the immediate treasury estimate of \$70,000,000 a year. Moreover it would work hardship on states and municipalities by increasing financing costs. The statutory procedure would be unconstitutional. Most important, once congress' power to tax income of state and local securities has been established, a situation could arise in which congress would attempt to tax state revenues. Argued the U. S. Conference of Mayors, in a similar vein: Federal and state governments may recoup from income taxes the higher costs to municipalities in interest on their bonds.

Observers thought income tax exemption could be repealed easily, but were less confident about tax exempt securities.

People

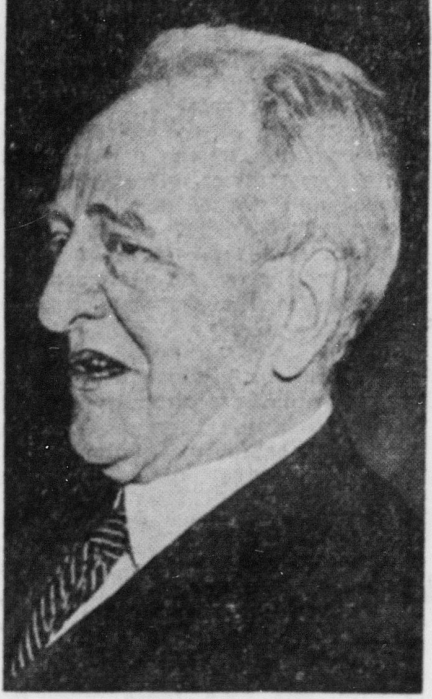
Left, for the U. S., Brazilian Foreign Minister Oswaldo Aranha, to confer with President Roosevelt. The purpose, as explained in a Rio de Janeiro newspaper: "To discuss practical instruments for continental defense as well as national protection of each of the two countries against foreign infiltration."

Public Works

Two of President Roosevelt's pet projects have been the harnessing of tides in Maine's Passamaquoddy bay, and the digging of a ship canal across northern Florida.

"Quoddy" was started several years ago, much of the \$7,000,000 original appropriation being spent on preliminaries to the actual job. When congressional opponents argued that Quoddy's power would have no outlet because it could not be transmitted profitably to New England industries, a new appropriation was refused in 1936. Since then the buildings have been used by NYA.

Likewise a start was made on the Florida canal, but last year congress balked on more funds. The arguments against it: That Florida's fruit industry might be damaged by seepage of salt water; that it was



SENATOR GLASS
"It won't happen again."

unnecessary; that southern Florida would suffer irreparable economic damages.

This winter President Roosevelt has asked an economy-minded congress to revive both projects and appropriate \$100,000,000 to complete them. On Quoddy: "... The time will come when there will be a joint agreement between Canada and the United States for the joint development of the larger sized project which would utilize all tidal power in that bay on both sides of the international date line ... It is my thought that an appropriation for ... test borings and ... a small experimental plant ... would be justified." On the canal: "A Florida ship canal will be built one of these days ... It is justified today by commercial and military needs."

While the house rivers and harbors committee under Texas' Rep. Joseph J. Manfield prepared to argue the proposal, Virginia's outspoken Sen. Carter Glass spared no words: "In 1936 the late Senator Fletcher of Florida came to me with tears in his eyes, saying his political future would be ruined if Florida didn't get the canal. He asked me to vote for it, and like a ... old fool I did. But it won't happen again."

International

Last summer oppressed China begged the League of Nations to approve sanctions against Japan. This was done, but only by resolution suggesting that league members take whatever action they saw fit. Nothing happened until a non-member, the U. S., began applying pressure against export of arms to Japan. Great Britain followed suit in small measure, but thus far the international boycott has failed.

Showing typical Oriental resignation to fate, China's Dr. Wellington Koo, ambassador to France, has again broached the boycott issue in Geneva. His proposal: That an international "co-ordination committee" be named to unify world action against Tokyo. Membership would include both league and non-league nations.

Only result of Dr. Koo's plea has been to focus attention on the league's weakness, also to point out that only Britain, France and Russia now hold that badly battered organization together. The Chinese diplomat knew he could get no Anglo-Franco-Russian support without first winning U. S. support. Hence he pointed out that President Roosevelt's January 4 message to congress had "proffered the co-operation of the American people in support of the cause of democracy and peace." France, Britain and Russia agreed. Not daring to speak, all three turned eyes westward across the Atlantic awaiting Washington's leadership.

Religion

In prosperous years church membership and attendance remains even or shows a very slight increase. During depressions membership and attendance will rise through a return to religion. Foremost among U. S. religious statisticians is Rev. Dr. Herman C. Weber, whose report for 1937 has just been released.

Salient facts and figures: Total membership early in 1938 was 64,156,895, church members having increased 960,000 in 1937 (twice as fast as the population). Churches increased by 1,743. A trend to church unity was evident, since 97.3 of the total U. S. church population belongs to the 50 larger bodies. About 160 smaller bodies account for the remaining 2.7 per cent.

Bruckart's Washington Digest

Federal Government So Huge
Few Can Grasp Its Magnitude

Multiplicity of Bureaus and Agencies Demanding Reports
of All Kinds Places Tremendous Burden on Business;
Many Agencies Covering Same Lines of Business.

By WILLIAM BRUCKART

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WASHINGTON.—Many times in these columns I have written expressions of fear about the size of this thing we call the federal government. It is so huge that few persons grasp the magnitude of the machinery. And it can not be explained satisfactorily. Certainly, one can not say that it is just "so big," and measure it by extended arms. On the other hand, incidents or actions of a unit of the federal government may furnish an indication of the size on the basis of a comparison. Such an incident came in the news recently and, unfortunately, very little attention was paid to it in daily newspapers of the nation.

Here is the basis of comparison, and it tells its own story as to the size of our national governmental machine:

As of July 1, 1938, the director of the census estimated there were 130,215,000 persons living within the continental United States.

During the year 1938, citizens and corporations within the United States were compelled by law or regulation or special orders to file with federal government agencies a total of 135,000,000 reports, information forms, questionnaires, statistical facts and other required statements.

That total is the official calculation by Chairman Stuart A. Rice, of the central statistical board, who had made a survey of all federal agencies upon orders of President Roosevelt. The President wanted to know whether there was a real basis for the thousands of complaints and editorial criticisms about the tremendous burden that has been placed upon every kind of business, including individuals, by their government. The Rice conclusions, however, have demonstrated in an understanding way just what an octopus our national government has become, and it may be—indeed, it is likely—that Mr. Rice has performed a chore here which will mark the beginning of the end of federal government expansion. His findings ought to have that effect, in any event.

Then Began an Expansion
Of the Federal Government

Shortly after the World war ended and the federal government got back to normal in the matter of size and the functions it was performing, there was a time when the populace raised loud shouts because their government was spending a billion dollars a year. There were some hard times along in 1919 and 1920 and a year or so more, and there was the call of the suffering for help from their national government. There were, too, numerous ideas being fomented and allowed to ferment. Each one contemplated something new in the way of government functions. Well, each one contemplated some additional federal expense.

In this way, there began an expansion of the federal government that has carried on with an ever-accelerating pace until the New Deal took over, six years ago. Then, we really went to town in expanding the number of arms and legs and eyes and ears of the federal government. Yes, and with that expansion there came additional expense—expense, not in millions, but in billions. Recently, you know, President Roosevelt asked congress to appropriate more than \$9,000,000,000 for the government year beginning July 1, 1939. That total is not all. There will be other and additional sums called for as each one of these agencies, or many of them, fails to live within its appropriation and goes back to congress to ask for more money. The relief administration came in a few weeks ago and asked for \$875,000,000 more to run it until July 1 when congress believed in May, 1938, that it was voting enough funds to meet the needs of relief until the coming July.

But to get back to Mr. Rice's survey. I am not informed as to details, or whether the figures have been segregated to show how many of these 135,000,000 reports are filed with each of the several agencies. Certain of the great offenders in the matter of demanding reports can be enumerated, however, to show the trend. It is necessary obviously in some cases for an agency of the government to have all details of businesses over which it has supervision; yet, I can not help wondering whether it is necessary to have such supervision in the first instance.

How Many of These Agencies
Can We Get Along Without?

Hence, the Rice survey calls attention to something much deeper than just the burden that government places on its citizens. It suggests the question: how many of these governmental agencies and their functions can we do without? How many can be abandoned with benefit, both in the matter of sound government and in the elimination of useless expense to the taxpayers

and the individuals or corporations required to meet government demands? My guess is that at least a third of our present government structure is of no value; that at least that portion could be eliminated and everyone would be happier, and that if a large chunk of these functions were forgotten, living wouldn't be so complicated and certainly not so costly. It must be remembered that every time cost of government is increased, there is more than the outlay for government expense involved. Every time a government agency gets slimy fingers into business, just then does there arise an added cost of living.

It is not hearsay with me when I say that high pressure groups force additional government expenses upon the nation. I have watched their operation year after year. I have sat in the galleries of congress and observed the operation of lobbyists who have checked and rechecked their lists of members; I have seen their propaganda, their threats of dire consequences at the polls and I have seen cowardly senators and representatives capitulate to the pressure. A million or so, or several hundred millions, are voted; a new federal agency is created and starts spending money. The personnel that gets on the payroll at the start begins immediately to look for ways to keep its jobs and the agency establishes a "liaison" with congress in order that congress can be "informed."

There are 20 or 30 boards and bureaus and commissions in the government today that were created for "temporary" purposes, but which continue to convince members of congress that unless the agency is continued thousands of persons will suffer—maybe die.

Too Much Burden Placed
On Every Kind of Business

Surely, Mr. Rice has corroborated the contention that government is placing too much of a burden on every kind of business by demanding and obtaining all of these reports—daily, weekly, monthly, annually. Of my knowledge, I can point to a hundred small businesses that have had to hire extra accountants and other experts to do nothing but make out reports to the federal government—and answer correspondence from some squirt here in Washington who tells them they have not filled in the proper items on line 87, etc. It has happened to me, personally, more than once, and all there is to my office is myself and my secretary.

I imagine that farmers got a taste of this business of reporting to Washington in connection with the agricultural adjustment program. In wandering around the department of agriculture I have seen hundreds of persons checking and rechecking farm contracts, reports of agents and inspectors, county committees, etc. Those farmers who did not encounter demands for statements about this, that or the other still have something to which they can look forward, because they will get such demands sooner or later.

Like the government machine itself, I can not help puzzling as to what 135,000,000 reports mean. Of course, it can be said that it is one report for every man, woman and child in the nation, but it is not a true perspective. There are, of course, many millions of persons who make no reports to the government in Washington. That means others must make many reports.

Why So Many Different
Agencies Doing Same Work?

From the standpoint of effective administration—assuming that many of the government activities are proper—why is it necessary for the government to have 11 different agencies interested in housing? Why should the departments of commerce, labor, and agriculture, as another example, be asking the same business man to make reports to each one on the same subject? Why should there be a federal deposit insurance company, a board of governors of the federal reserve system and a comptroller of the currency all concerned with one industry—banking? Why should each of these agencies have examiners or investigators, doing very much the same thing, making investigations and examinations and reports to their respective agencies? And I forgot this one: the securities and exchange commission also horns into bank management every now and then!

Aside from these types, there is the ever-present taxing authority. Now, there must be taxes and they must be collected and it must be admitted that not all taxpayers are honest. But hundreds of tax investigators are going around and around and undoubtedly they get their feet tangled up with other investigators and examiners. One wonders where the end is.

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Ask Me Another
A General Quiz

1. What furnishes the motive power to ships passing through the Panama canal?
2. What does the Statue of Liberty hold in her left hand?
3. What is a barcarolle?
4. Who is the highest paid actress in the world?
5. Did Franz Schubert play the music of other composers?
6. How much will it cost to take the next census?
7. How old is the Nazi party?

The Answers

1. Small electric locomotives.
2. A book representing the law.
3. A popular song or melody sung by Venetian gondoliers.
4. Gracie Fields, the British comedienne, makes approximately \$750,000 a year.
5. It is said that there is no record of his playing any music but his own.
6. The sixteenth census in 1940 will cost approximately \$50,000,000.
7. It was founded in 1920.

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Doctor First



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