

WEEKLY NEWS ANALYSIS BY JOSEPH W. LaBINE

Special Congressional Session Expected to Halt War Profits; Housewife Feels Price Boost

(EDITOR'S NOTE—When opinions are expressed in these columns, they are those of the news analyst and not necessarily of this newspaper.)
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NEW YORK STOCK EXCHANGE ON RAMPAGE
The President's "moral" obligation was forgotten.

BUSINESS: War Babies

"No American has the moral right to profiteer at the expense of either his fellow citizens or of the men, women and children who are living and dying in the midst of war in Europe."

The U. S. had two days to ponder this Presidential warning before the markets opened after a Labor day week-end. If pondering means forgetting, the nation did it well. Tickers ran three minutes behind as "war babies" zoomed 5 to 15 or more points. When it was over, 5,930,000 shares had changed hands and the value of listings at New York alone had upped some \$3,000,000,000. Next day the market straightened out.

Grains were no exception, jumping to their pegged limits each day. So stagnated was the futures market that milling business practically came to a stop when processors refused to sell flour without being able to buy in their hedges against the cash wheat they needed. Finally the Chicago board of trade doubled the daily price limits and upped initial margin requirements. Meat followed the trend. Hogs soared from 50 to 75 cents as the market opened, jumping another \$1 the next day.

The net result soon sifted down to Mrs. Housewife, whose meat, butter, eggs and flour went skyrocketing despite government-held surpluses of most commodities. Off to the White House with this news went Attorney-General Frank Murphy, gunning for the well-remembered devil of World war days, "High Cost Living." He went back to his office with the President's blessing and an order to find ways of outsmarting the speculators, but Frank Murphy's job was not easy. A search of his statutes would show the attorney-general he had



FRANK MURPHY
... found no laws.

few laws to fall back on. Hence the wise acres thought Mr. Murphy would spend the next few weeks drafting legislation which the President could offer a special congressional session. That would be smart politics, because Secretary of Agriculture Henry A. Wallace is doing his best to keep farmers from speculating with larger crops next year. If the glove fits agriculture, it also fits business.

Though ambitious profiteers thought the President had left a loophole in neutrality by exempting Canada (which has not gone to war), Secretary of State Cordell Hull soon bashed this hope in the head. The U. S. might sell arms to Canada for transshipment to the allies, except for one sentence in the neutrality act: "It shall be unlawful to export . . . arms, ammunition or implements of war . . . to any neutral state for transshipment to, or for the use of, any . . . belligerent nation." Next question: How can this ruling be enforced?

THE WAR: Speculation

As the War of 1939 got well underway, censorship's lid clamped itself over everything save the vague official communiques from London, Paris, Berlin and Warsaw. Conversely, the propaganda mills ground faster than ever. By adding to communiques and subtracting from propaganda, observers could ascertain a few things. The gist: France, Britain and Poland were in a tough spot.

The key to this problem lay somewhere in Poland. Defending troops rushed back to the Vistula and Bug rivers (See Map) where they hoped

to dig in permanently. Though Generalissimo Smigly-Rydz called the retreat "strategic," there was every indication Poland's position was desperate. Off to London seeking aid went Foreign Minister Josef Beck, knowing full well there was no way Britain and France could send it.

To a certain point Der Fuehrer's scheme was obvious. The Reich



POLAND'S WAR
Heavy shaded area shows German territory. Light shade shows territory Poland say they are willing to surrender to establish permanent front lines along the Vistula and Bug rivers, in strategic areas shown with dots.

made no offensive on the western front, where British-French forces found the lightly manned Siegfried line a stone wall. But when he has mopped up in Poland, Herr Hitler can decide on one of two courses, war or peace. If he makes war, the combined armies of Britain and France will have tough sledding against a Nazi juggernaut which has no problem of back-door vulnerability. From over its new common border with Russia could come all the economic help Germany needs.

But observers saw another possible reason for Hitler's apparent lack of interest in the western front. Having no military objectives there, having failed to declare war against Britain and France, he might turn about and sue for immediate peace on the stipulation that Poland shall be incorporated into the Reich.

Actualty

Aside from Poland's retreat, aside from German apathy on the western front, the War of 1939 followed tradition. On the propaganda front, Berlin issued a "white book" replying to Britain's "white paper," recounting pre-war Anglo-German relations and placing responsibility on England. Faced with continued merchant marine warfare, both France and Britain established import control systems to conserve foreign exchange and provide shipping space for war necessities.

Most vital, however, was the time-tested plan whereby the United Kingdom hopes to starve Germany into submission. Thrown around western exits of the Baltic sea was the impregnable naval blockade which only Britain could muster. Meanwhile the unique ministry of economic warfare hoped to make British pounds, shillings and pence an equally potent weapon.

Question Mark

Most observers agree that Italy's current non-participation resulted not because Hitler waived his treaty, but from deliberate intention. Though Rome declared its neutrality, removed air raid shelters and resumed oceanic shipping, there was method in this madness for both Hitler and Mussolini. For Hitler, Italy was not only a threat against democracies, but also a potent source of supplies should all other paths be cut off. For Mussolini, it was smart to watch developments: Seeing in Der Fuehrer a potential threat to his Mediterranean domination, Il Duce is willing to join whichever side he thinks will win.

ASIDE FROM WAR

While war and its repercussions held U. S. interest 100 per cent, the following newsworthy events drew little attention:

IN BALTIMORE—Twenty-six-year-old Mrs. Harold Ickes, wife of the 65-year-old interior secretary, presented her husband with a baby boy.

IN CLEVELAND—Col. Roscoe Turner, veteran aviator, sped 282 miles per hour to win the Thompson trophy the third successive time, thus winning \$16,000. Then he announced retirement from the air racing business.

IN NEWARK—Elisha Waterman, executive vice president of the fountain pen company, was beaten by C. I. O. pickets as he tried to enter the plant.

IN NEW YORK—Willys-Overland claimed it was dropping a "bombshell" into the automobile field with an unprecedented new low price car for 1940.

PAN AMERICA: Solidarity

Hemispherically, the Americas constitute an economic unity which can operate independently of war-crazy Europe. But in peacetime the Old world's rich nations dangle tempting trade offers before the tiny lands of Central and South America, wooing them away from the more logical north-and-south commercial channels. When war again engulfs Europe, the rich suitors forget their temporary New world friends, who invariably turn once more to the U. S. for leadership.

No exception to this rule is the War of 1939, which finds Argentina cut off from her German-Italian trade sources by a British blockade, and finds Mexico's expropriated oil program at a standstill because Germany can no longer cross the sea.

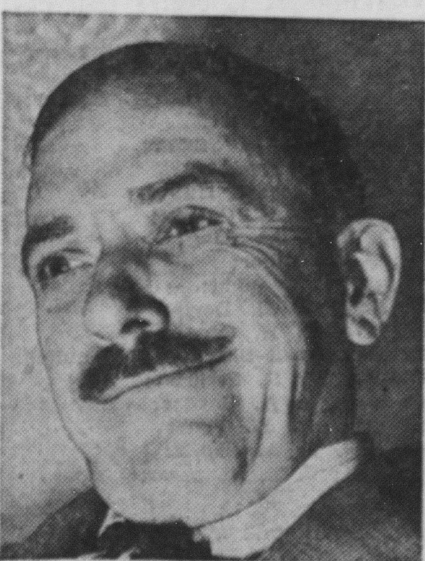
Not unexpected, therefore, was the call which went forth from tiny Panama republic a few days after war was declared. Would the 21 American nations attend a conference to preserve western hemisphere peace?

Plainly visible behind scenes was the fast-moving hand of the U. S., which could use Pan-American solidarity to good advantage. Europe can no longer supply the needs of South America, nor can America supply the needs of Europe under neutrality restrictions. But every one—including newly handcuffed American exporters—would be happy to open up new markets in the other Americas and thus keep U. S. production at normal.

DOMESTIC: Un-Americanism

Fully stolen by Europe's war is the news spotlight which Washington's election-bound investigation committees hoped to enjoy this summer. But early September brought one witness before Rep. Martin Dies' un-Americanism committee who broke through the barrage from abroad to win prominent place in the week's press. The witness: Earl Browder, general secretary of the U. S. Communist party and its presidential candidate in 1936.

Interesting to committeemen were the revelations that (1) Communist Browder has traveled abroad the past two years on a false passport; (2) his assertion that Communists work with every group seeking to improve U. S. economic conditions; (3) his apparently contradictory admission that if the present economic system worked ef-



COMMUNIST BROWDER
"I only indorsed his policies."

fectively there would be no place for the Communist party.

Biggest news, however, was something which might—if substantiated—make the Republican party bluish. In 1936, said the witness, a man named "Davidson" had approached him as representing seven wealthy Republicans who were willing to give the Communist party \$250,000 to nominate President Roosevelt as its presidential candidate. When "Davidson" heard that information about the offer had been passed on to the Democratic national committee, the offer was withdrawn and "Davidson" disappeared.

If this embarrassed Republicans, their Democratic opponents were also reddened. Communist Browder denied he had endorsed President Roosevelt in 1936. Then he explained why: "I carefully refrained because I knew the Republicans wanted me to do it. I only indorsed his (Roosevelt's) policies."

Bruckart's Washington Digest

Treasury Official Discusses Our Needs Regarding Taxation

Government Wants to Know What Business Has to Say About Present Levies; Where Are We Going to Get the Revenue to Pay Our Debts.

By WILLIAM BRUCKART
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WASHINGTON.—In these days when the menace of a world-destroying war hangs perilously overhead, it is heartening to read something or hear something that gives consideration to the problems of America and Americans. While international broadcasts were filling the air with facts and alleged facts and just plain propaganda the other night, it struck me as most significant that an official of the treasury should take time out and talk, by radio, on the general subject of taxation and the country's needs in this regard.

Undersecretary John W. Hanes, then serving as secretary of the treasury because of the absence of Secretary Morgenthau, made what a good many described as a dry speech. Certainly, most editors so regarded it, or else they thought that the European backyard fence with its mess of tomatoes squalling at each other was more important. There can be no debate, of course, that the war situation requires the closest scrutiny and the calmest of nerves; but the point is that all of us hope our nation is going on over the horizon of the future, and attention needs to be given—and must be given—to our internal affairs as well as our relations with those across the seas who insist upon quarreling over the line fence.

So it was that, when Mr. Hanes made a statement concerning the need for a general reallocation of taxes, a great many people felt it to be a very hopeful sign. Now, it is always a healthy indication when an official of the federal government looks facts in the face. We have not seen a great deal of that in recent years.

But if such things are significant and valuable, how much more important it is to see an official come out of the heart of the New Deal and say, in effect, that the treasury wants to hear what business has to say about the present taxes. Mr. Hanes went further: He said the treasury wanted to hear these things in private, not in a public demonstration where the individual who has grievances about unfair taxes could be held up to public scorn. You will remember, of course, how some of the New Dealers staged a vaudeville show a year ago; how it picked out cases of taxpayers who had avoided taxes by taking advantage of the provisions of law, and how each of these was marked as an unpatriotic citizen.

Many of the Taxes That Had Been Tried Failed Miserably

If I read the speech by Mr. Hanes correctly, what he had to say was that a good many of the taxes that had been tried by the sputtering type of New Dealers have failed miserably. Of course, Mr. Hanes could not say it just that way, but he told of repeal of a group of taxes and revision of others, and in almost the same breath, he predicted the changes would aid business recovery.

The thing that is important to me in this situation is that Mr. Hanes had the courage to take a definite position for reallocation of taxes on an equitable basis—for I do not believe anyone can justify the silly structure that now is used to keep the federal government going. It can be said, moreover, that Mr. Hanes recognizes what confronts the nation in the way of revenue needs. None of us have heard very much from top flight officials lately as to how this \$45,000,000,000 debt is ever going to be paid. The boys who spent the money, and had a good time doing it, are slinking to cover. They don't want to face the facts. Whatever their attitude may be, however, taxes are going to come higher, 59-cent dollar or no 59-cent dollar, and Mr. Hanes apparently was willing to tell the country the story of taxes up to this time.

Leaders of the house of representatives in the last session of congress recognized the general situation. But they were only half-hearted about it, as politicians always are when taxation is before them. New taxes don't encourage votes anywhere. But the house leaders put through a resolution authorizing the ways and means committee to start a study of the general tax problem. A sub-committee, headed by Representative Cooper of Tennessee, was appointed to do the job. And here is where the treasury got into the situation, because Mr. Hanes suggested the treasury could be of help in making the study.

Might Be Smart Politics To Undertake Tax Revision

It is much too early for any one to hazard a guess as to what will be done. Next year is a year for general elections, from the President on down the line. It is rather unusual for a congress to undertake tax revision (especially upward) in advance of a campaign, but somehow I believe it might be pretty smart politics to do so next year. There is nothing to indicate that Mr. Hanes had any politics in his mind;

indeed, I think the contrary is true, because Mr. Hanes has been a business man and it is unlikely that he is versed in politics. He told of the situation in a rather simple and understandable way, and when it is summarized what he said was: We have to have more tax receipts but on an equitable basis. It will remain to be seen whether congressional leaders will have the guts to place the taxes on a sound basis.

One can look over present tax laws and find so many instances where tax burdens break the back of one line of business and fall absolutely to touch another. The demagogues will tear their hair and moan about taxing the poor, and proceed to lay taxes that are hidden in a hundred articles that wage workers must have. And that is the menace of the present tax situation: hidden taxes. I wonder how many political leaders would be able to hold on to their jobs if they would tell the truth about the taxes they have concealed.

The public administration clearing house, an institution designed to aid state governments by dissemination of information regarding the various states, released a statement a few days ago that was quite illuminating as to the steps being taken in tax matters. It showed that four additional states—Massachusetts, New Hampshire, Rhode Island and New York—had enacted new taxes on cigarettes in 1939. That makes a total of 25 states now using this source of taxes. There are eight cities that have special taxes on cigarettes, in addition to state levies.

25 States Make Users Of Tobacco Pay a Tax

Now, I am not here to plead the cause of the cigarette. The tobacco industry and the tobacco farmer, I assume, are able to take care of their own problems. But how many people have stopped to think that 25 states are making the users of tobacco pay a tax ranging from one cent to five cents on a pack of cigarettes, and that the federal government takes six cents a pack (of popular priced brands) before the pack reaches the retailer in your town!

The political demagogue will harangue at length, slap his hips and wipe motion picture tears from eyes about a sales tax that "takes as much from the poor as from the rich," and vote glibly for a tax on cigarettes. Nor does he mention ever that such a tax as the one just cited—and there are many others that could be mentioned—promotes something akin to bootlegging. He will avoid saying that persons living near a state boundary will, and do, cross over into the next state and buy cigarettes and tobacco if that neighboring state does not have such a tax. He probably still talks about a tobacco tax being a tax on a "luxury" article, which makes a point of the statement by Mr. Hanes that "new conditions require new methods."

Not any one can, or ought, to say that tobacco ought to be free from taxes. I have seen no sign from the industry or organizations of tobacco farmers making such a contention. Yet, from an unbiased viewpoint, the basis established by Mr. Hanes, it seems to me there should be attention given to this type of taxation, whether on tobacco or any one of a thousand other commodities. It is a type of taxation that, for the most part, is concealed.

Where Are We Going to Get Revenue to Pay Debts?

People may ask what the alternative is. Where are we, as a nation, going to get the revenue necessary to pay the interest on this gigantic public debt of nation, states and cities?

The income tax is certain to continue. It ought to continue, because those who have incomes must carry their share, or more. But I am quite sure that every one else ought to know that he is a part of the government, too. It may be, therefore, that a general sales tax—open and above board—is the answer. Surely, it would be better than the present several hundred hidden taxes that are nothing more or less than sales taxes, and quite unevenly distributed. It would have the effect of making every one conscious of his part, and it would cause quite a few folks to stop and think before they put pressure on their state legislators or the members of congress for a new expenditure of public money. We are paying as much as thirty cents out of every dollar, now, for government. The debts are on our shoulders and must be paid, but why not have some honesty about how the money is taken away from us.

We have heard much about planning for the future, assuring security and honeyed words of that kind, and so it seems not improper to suggest that attention be given to a general program of taxation that will help in bringing about those objectives.

Ask Me Another A General Quiz

The Questions

1. Can you name the seven virtues?
2. What British king was known as "The Farmer King"?
3. How many varieties of living creatures are there?
4. How is a congressman-at-large elected?
5. When using the phone, why is the wrong number never busy?
6. How often can United States coins be changed in design?

The Answers

1. Faith, Hope, Charity, Prudence, Justice, Fortitude, Temperance. The first three are called "the holy virtues."
2. George III, from his rustic dress, tastes and manners.
3. The first zoological dictionary, just completed by scientists, contains the names of nearly 250,000 living creatures.
4. By all the voters of the state.
5. If given the busy signal, how would you know it to be the wrong number?
6. Once in 25 years, according to law.

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PER PACK



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