

WEEKLY NEWS ANALYSIS BY JOSEPH W. LaBINE

# How to Pay for New Conflict Is Europe's Biggest Problem; British Taxes Set New Record

(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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## THE WAR: Finance

Great Britain entered the World War in 1914 with a 649,000,000-pound debt, raised her tax rate to six shillings in the pound (or 30 per cent) and probably spent 11,076,000,000 pounds (about \$55,000,000,000) to lick the Kaiser. In 1939 Britain's record peacetime budget was 1,322,444,000 pounds, of which 380,000,000 pounds was to be borrowed. Most of this was for defense, but what bothered Britishers most on September 1, when they declared war on Adolf Hitler, was their current public debt of 8,200,000,000 pounds, 13 times greater than 1914's.



SIR JOHN AND BUDGET  
U. S. taxpayers can be thankful.

To Sir John Simon, chancellor of the exchequer, fell the financing job. Up to the house of commons Sir John carried his first war budget, neatly packaged in the ancient case (see photo) which exchequers have used for years. Preliminarily, commons knew the war of 1939 would cost more than the last conflict, would possibly last longer, and would possibly bleed the British taxpayer to death. Sir John therefore surprised no one with his budget:

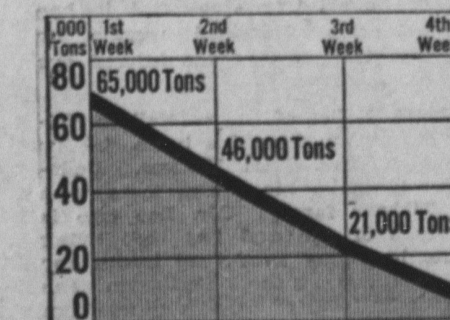
To raise 70,000,000 extra pounds this year, and 146,000,000 extra the next fiscal year, Sir John assessed incomes at seven shillings in the pound, or 35 per cent, until next March 31; for the full 1940-41 fiscal year the rate is seven shillings sixpence, or 37 per cent. American taxpayers should have enjoyed the comparison:

Income of \$2,000 a year:	American	British
Family with two children	None	\$ 70.00
Married couple, no children	None	246.26
Bachelor	None	40 350.40
Income of \$4,000 a year:		
Family with two children	28	721.26
Married couple, no children	60	871.26
Bachelor	120	976.26
Income of \$20,000 a year:		
Family with two children	1,164	8,047.26
Married couple, no children	1,260	8,202.06
Bachelor	1,450	8,529.26

Meanwhile farside economists debated how Adolf Hitler was faring in wartime. Disregarding his pre-war debt and his funny financing, it was a good guess that even should these obstacles be overcome the allies' blockade would strangle him. One-fourth his 1938 imports of \$2,000,000,000 would be cut off, including 90 per cent of his high-test gasoline; 67 per cent of his grain and all his cotton, rubber, wool and tin. Even Russia's new friendship could not be expected to offset this loss, for the press of war will keep German factories busy, thus barring exchange of manufactured items for Soviet raw products. And Josef Stalin is not altruistic.

## At Sea

One bright autumn day North sea villagers in both Norway and Denmark heard cannonading at sea, occasionally spotting aircraft over the horizon. The booming stopped at night but started with new fury next day. Both Britain and Berlin



BRITAIN'S SHIPPING LOSSES  
Submarines went down, too.

at first denied a battle, then each admitted it and claimed victory. The press could choose between the Reich's report that one British airplane carrier had been destroyed and a battleship badly damaged, or the report of London's first lord of the admiralty, Winston Churchill, that a German attack had been repulsed with no losses.

Day before, popular Mr. Churchill told the house of commons that "a third" of Germany's submarines had been destroyed and that shipping losses were about a third what

they were in disastrous April, 1917. Moreover, losses were still going down (see chart). What he did not point out is that Britain has fewer boats at sea now than on September 1.

## Eastern Front

After a 20-day siege, during which it was "bombed and burned into an unspeakable inferno," during which thousands of civilians died from bombs, bullets, pestilence or horsemeat diet, Warsaw surrendered and the war in Poland was over.

## Western Front

After a month of see-saw fighting during which French-British troops apparently had the upper hand (thanks to Germany's pre-occupation with Poland) the battle of Siegfried vs. Maginot apparently got under way. French pressure was heaviest near Zweibruecken in the Saar region, and at least one report said that heavy French cannonading smashed a hole in the main Siegfried line between Merzig and Saarbruecken. Certain it was that heavy artillery assumed new importance, for the French war office admitted enemy shells were falling in small towns behind the Maginot line. For the moment, Premier Edouard Daladier could tell his council of ministers that the situation was "most satisfactory."

## DOMESTIC: Repercussions

Dramatic volumes might have been written last month about how Europe's war whipped the slow stream of U. S. life into a raging river filled with whirlpools, quicksand beds and bottomless pits. At Los Angeles Mrs. Josephine Mair fled a notarized document forbidding her two sons from "participating in any activity called war." The U. S. fleet began secret battle games in the Pacific, a vast naval training program was planned at Hawaii's Pearl harbor, and President Roosevelt urged a cessation of foreign purchases of war materials that the U. S. might create its own reserves. While Texas' Rep. Martin Dies waved the flag to forecast all Communists and Fascists in government would soon be ousted, while the American Legion in convention cut its foreign tie with the Federal Interallies des Ancien combattants, while two-thirds of the people (in a Gallup poll) said they don't believe German news reports, congress wrestled with neutrality and appeared to be making progress on a proposal to lift the arms embargo and substitute cash-and-carry.

Franklin Roosevelt's administration was winning, thanks to smart handling of the issue by Sen. Key Pittman and colleagues. To placate anti-repealists and anti-New Dealers, congress was given power which the President alone enjoys under the present act, to decide when a foreign war exists. In every other provision there was similar rigidity, so that isolationists were left with little to fight except the fast-dying issue of embargo vs. cash-and-carry. Having started the ball rolling, the White House left neutrality severely alone. Secretary of State Cordell Hull, asked for his opinions, answered Sen. Arthur Vandenberg that he had "complete confidence" in the legislative branch and that he had no "particular comment" to make.

Next day the senate foreign relations committee okayed cash-and-carry, sending it to the floor for "hell-to-breakfast" debate. This was war's effect on government. On business, the effect was a fearsome upsurge that may some day boomerang. Items:

On the farm, the department of agriculture found all larders full to bursting (July 1 wheat supplies were 275,000,000 bushels over a year ago). The year's agricultural income, once expected to slump far below 1938's \$8,000,000,000 mark, may now be only 100,000,000 shy. Flour output reached a 12-year high.

Railroads everywhere placed new equipment orders. Typical was the Burlington's bid for 14 locomotives. A 22.4 per cent rise in car-loadings was forecast for 1939's last quarter (compared with last year).

Steel mills, America's No. 1 heavy industry, operated at 83.3 per cent of capacity, dangerously near the 85 per cent mark which steel men consider a practical level.

Oil production was up. A typical late September week brought 3,681,000 barrels, a gain of 258,000 barrels over the preceding seven days.

Electricity production rose, contra-seasonally, about 13.7 per cent in a week.

## NAMES

### that made news

**GROVER CLEVELAND BERGDOLL**, World war draft dodger who fled to Germany, revealed in his New York trial that he had returned to the U. S. twice (1929 and 1935) under false passport.

**PIERCE BUTLER**, U. S. Supreme court justice, was seriously ill with a bladder ailment.

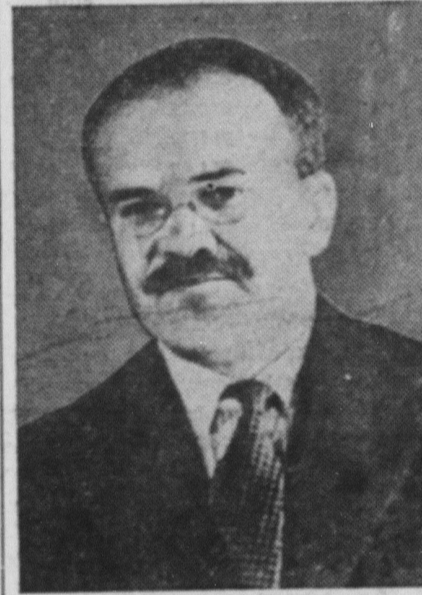
**FRANCIS J. GAVIN**, old-time northwest railroader, was made president of the Great Northern line. Rumors said that Robert E. Woodruff might be the Erie road's next chief.

**KING CHRISTIAN X**, 69-year-old Danish monarch, was abed with a heart attack. Also ill, at Washington, was Virginia's aged Sen. Carter Glass.

## RUSSIA:

### Dance Master

Down from the western skies at Moscow dropped a passenger plane bearing German Foreign Minister Joachim von Ribbentrop. Significantly, perhaps, he gave no Nazi salute nor did his hosts offer a Communist clenched fist. Otherwise the setting was familiar, for when von Ribbentrop reached the Kremlin he found it overrun with Balkan and Baltic statesmen of the type Adolf Hitler used to summon from Austria, Czechoslovakia and Poland. This must have worried von Ribbentrop; Russia, having split Poland's loot with Herr Hitler, was emerging as a dominant eastern Eu-



VIACHESLAV MOLOTOV  
He out-Hitlered Herr Hitler.

ropean power that must be watched. Great Britain and France were confident that if left alone, Russia would give Germany more trouble than co-operation despite their kiss over Poland's prostrate form. First there was talk in Moscow diplomatic circles of a "sphere of influence" division in which Russia would control the Baltic, and Germany the Balkans. But later it looked like Russia was taking everything:

Estonia's nervous Foreign Minister Karl Selter scurried to Moscow with explanations of why an interned Polish submarine had been allowed to escape, later sinking a Russian freighter. His explanation was "unacceptable" and soon Soviet troops, warships and planes encircled Estonia. Under this pressure, and while Moscow radio attacked the Estonian government, the little nation soon found it wise to sign a "mutual assistance" pact which grants Russia the right to maintain naval and military bases on islands off the Estonian west coast. Latvia and Lithuania, her neighbors, wondered which would be next.

Turkey's Foreign Minister Sukru Saracoglu was there, too, and soon there were sound reports of a Russian-Bulgarian-Turkish "Black sea bloc" which would smash Adolf Hitler's hope of Balkan expansion. Rumania, between two fires, was leaning Moscow-wise and away from Berlin. Bulgaria's special envoy to the Kremlin established a Moscow-Sofia airline to be followed by a trade pact. Jugoslavia had a representative there, too, on a secret mission.

The only fly in this ointment was Herr von Ribbentrop and the 35 "experts" who came with him from Berlin. While Dictator Josef Stalin stayed in the background like any well-behaved master mind should, Premier Viacheslav M. Molotov called the tune that made big Germany dance as violently as the little Balkan and Baltic states. The mere fact that Hitler's men had gone to Moscow, and not Stalin's men to Berlin, offered good evidence that Russia has grown in one month from a silent, sulking and overgrown boy into a dominant European figure which der Fuehrer must fear.

Only strengthening this suspicion was the official German news agency's report that Russia has agreed to co-operate in an attempt to bring peace between the Reich and the allies. Obviously Herr Hitler was frantically sparing no effort to end the war. The previous weekend had brought a peace feeler from Benito Mussolini, but the result had been negative. Therefore Germany had coaxed and begged Russia into the peace effort, even though the price for this co-operation was a loss to German prestige in eastern Europe. International observers, guessing that Adolf Hitler had found himself playing with fire, decided that Der Fuehrer may yet be consumed by the fire of Josef Stalin's Communism.

## Bruckart's Washington Digest

# People of Farms and Small Towns Will Lead Way to Sane Thinking

Less Affected by Selfishness and Mass Emotion Than City Folks; President Puts Republicans on Spot; Embargo Faces Long Debate in Senate.

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

WASHINGTON.—The late Lord Balfour, one of the really far-seeing British statesmen of two decades ago, once uttered an observation to present conditions. During the early days of 1917 before American force had begun to weigh heavily in the balance of world hostilities, Lord Balfour said to a group of American newspaper editors and publishers:

"The central powers will be defeated in this war, but the test will come after peace has been enforced by arms. The test will be whether the peace we have thus gained will be worth having—whether we can preserve liberty and democracy. I believe we will be able to sustain that peace and preserve that freedom; and I believe, moreover, that it will be the people of rural America—of the farms and the small towns—that will lead the world back to sane thinking."

With the congress giving consideration to President Roosevelt's urgent request for repeal of the arms embargo as a means of preserving our neutrality in the present European conflict, but with propaganda stirring up emotions on all sides, there seems to be a need for that "sane thinking" that Lord Balfour mentioned. And, as I said above, it is made to appear that the people of the farms and the small towns are going to have to lead the way again; they have that responsibility because they obviously will be less affected by selfishness, racial interest, foreign influence and mass emotion that upsets thought on issues of this kind. Whether we are able to stay out of this war or whether we get into it, the individualist that is the resident of the small town or the farm has the job of preserving our traditions and our civilization.

Having made such a sweeping statement concerning these responsibilities, I will attempt to show what the facts are, what has been going on in Washington and elsewhere, that has a bearing on the point.

### Embargo Debate May Clarify Issues in Public Mind

President Roosevelt's appeal for repeal of the arms embargo was predicated upon his conviction that such action will help us to stay out of the conflict. He argued that there was no reason for the sale of cotton and an embargo on a processed product like gun cotton; that it was silly to permit the sale of aluminum and forbid the sale of airplanes made from aluminum, and so on. It would be more nearly true neutrality, he asserted, if we said to any and all belligerents that they could come here and buy anything they want—provided only that they pay cash on the barrelhead and haul their purchases away in their own ships.

But while the President was making a good case for his position, he also waded into rather muddy ground by calling attention to the fact that much additional employment will be created here by war purchases of unlimited variety. His thread of thought, therefore, can hardly be described as a plan to take the profit out of war. It may be secondary to the great human desire for peace, but the profit phase surely was evident.

Be that as it may, the senate is determined to debate the proposal at great length. It faces a long drawn-out struggle, and the value of that will be, as many senators have stated, to clarify the issues in the public mind. That is to say, there will be a crystallization of sentiment brought about by the debate.

Mr. Roosevelt called in congressional leaders, both Democratic and Republican, for a White House discussion of the plan. He explained publicly and to the members of the conference that party politics should be adjourned—that this was no time for politics.

### Reaction to Conference Is Favorable to President

The general reaction to the conference with congressional leaders appears to have been very favorable to the President. The public thought on inclusion of former Governor Landon of Kansas and Col. Frank Knox of Illinois, Republican nominees for the presidency and vice presidency in 1936, however, was quite different. Mr. Roosevelt advertised the invitation to these gentlemen to the conference as evidence of his desire to adjourn politics. That ballyhoo did not take hold very well. Many observers wondered how the President figured that Messrs. Landon and Knox could have anything to say about national policy which is the exclusive responsibility of congress. They were defeated, discredited as leaders, by the voters in 1936. Thus, critics suggested that Mr. Roosevelt—with politics adjourned—had played an exceedingly smart brand of politics

and Messrs. Landon and Knox swallowed the bait in the fashion of amateurs. The President has put the whole Republican party on the spot, with the assistance of its members, and there are signs that a Republican effort will be made to offset the move.

Now, there is another thing cropping up. Beneath shouts of patriotism and declarations that we must avoid getting into the raging madness overseas, there is a feeling that congress ought to remain on the job straight through the winter. The determination of the President and his spokesmen in congress is to limit action in the extra session to the subject of repeal of the arms embargo. If that is all the actual work that is accomplished, it would require only a short time. On the other hand, there seems to be a feeling that Mr. Roosevelt should not be left with all of the responsibility of a war threat hanging over head. Since the entire membership has been called back here, the observation has been frequent that they ought to stay on until the regular session begins in January to be of help to the President as lightning-like changes take place in the situation abroad.

One hears a great deal of discussion among senators and representatives about our nation's financial and economic condition. They suddenly have realized the fact that there exists a national debt of more than \$45,000,000,000—almost \$20,000,000,000 more than the total of the debt when the World war ended. It is not a pleasant thought, but it must be faced.

### Turn to Rural America to Lead Way to Sane Thinking

And as to the government itself, attention lately has been called to the fact that there are now 927,887 persons on the government payroll. Contrast that with 917,760, which was the greatest number employed by the government at any time during the World war. The military and naval forces are not included in the figures given. These facts were mentioned to me at the Capitol the other day because some members were looking to conditions after another war. It was explained that there was very little contraction of the government's size after the World war and that was more than offset by expansions in the last six years. In other words, a war will place an additional drain upon the government, which is the people, that will become a permanent thing.

Thus we see that minor matters, as well as major questions, are having an effect upon the thinking of the country. While they are not so intended, all of the many governmental changes and plans and conditions turn conversations to the subject of war.

So, we come back to the original statement. From a long period of observation of people, it seems to me that those folks who form the backbone of America are likely to be less influenced by the various things I have mentioned than is the case with the folks in the cities. The part of rural America which will provide the balance of power in a decision to stay out of war, or go in, will be able to think clearly.

### Isms and Insane Ideologies Have Their Origin in Cities

To refer again to Lord Balfour's statement, it can be said that he foresaw exactly what has happened in the United States. It is necessary only to recall that all of the isms and insane ideologies through which we have passed since the World war have had their origin in cities. "Movements" for this and that and the other program or plan came from hotbeds in thickly populated areas. It is to be admitted that they gained much more headway than any one thought possible. They are again on the way out, however, because such things have no appeal for the type of citizens to which Lord Balfour referred.

When the situation in Washington is summed up as of this time, therefore, one can properly ask whether it makes any difference what congress does about the arms embargo. The things about which we must worry make up a combination package. They are little things, when taken separately. Together, they constitute national policy. If each of these little things tends to involve the United States just a little bit more each time, then we are going to get into differences with the belligerent nations. While all of this is happening, however, none of us can escape the thought that it is up to the United States to preserve civilization as we now know it, and our job is cut out for us when the European war is over. It is not peace only for the sake of peace, but a policy designed to help save something out of the European ruins for benefit of all.

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