Weekly News Analysis

U. S. May Force Orient Peace Through Guam Defense Gossip

By Joseph W. La Bine

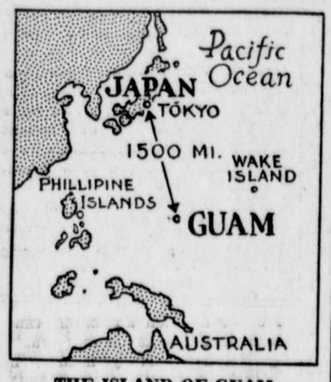
EDITOR'S NOTE—*When opinions are expressed in these columns, they are those of the news analyst, and not necessarily of the newspaper.*

Asia

On December 31, January 14 and January 19, respectively, the U. S., Britain and France warned Japan that they disliked her violation of China's "open door." Nothing happened. So painful was the silence that China's Foreign Minister Wang Chung-Hui finally suggested that democracies might be using the wrong tactics. His proposal: To follow these strong diplomatic notes with formal proposals of settlement, even unto actual terms.

What Foreign Minister Wang forgot is that neither the U. S. nor France nor Britain yet feels obligated to beg for peace with Tokyo. But if Japan would make the overture—. And that is precisely what the U. S. state department now seems bent on making Japan do.

As the crow flies, Guam lies 1,500 miles southeast of Tokyo. This 150-



THE ISLAND OF GUAM
Mr. Lippmann stated the case.

square-mile tract has belonged to the U. S. since 1898, lately becoming a potentially important base for Pacific commercial aviation. But since Japan began flashing her fangs Guam has become even more important as an outpost to protect America's back door. The need for such an outpost is illustrated by Japan's illegal fortification of nearby, mandated Caroline and Marianne islands.

Official Washington thinks Japan is using outlaw tactics in her Chinese invasion, her illegal fortifications and—of less importance to the U. S.—by threatening to fish Russian waters whether Moscow approves or not. When President Roosevelt's $552,000,000 emergency defense program reached congress, an item of $44,000,000 was listed for naval air and submarine bases. Now this has been boosted to $65,000,000, and $5,000,000 of the sum would be authorized at Guam for deepening the harbor, making landing fields and enlarging marine barracks.

This drew from Japan exactly the protest Washington expected and wanted. When Tokyo objected that Guam's fortification would be an aggressive move, the White House commented that Columnist Walter Lippmann's remarks just about fitted the picture: "Congress should authorize the fortification of Guam, and then the state department should invite the Japanese to discuss the question under Article XIX of the Washington treaty (nine-power pact guaranteeing China's open door). In this discussion we could say to the Japanese if they do not wish Guam to be fortified they might return to the treaty by dismantling fortifications in the mandated islands."

President Roosevelt has remained free of the controversy by pointing out that congressional authorization for rearmament is one thing, but that authorization is worthless without appropriations.

Meanwhile the game of democracy vs. dictator became still more bitter as Japan at once tightened her belt and stuck out her tongue. As the diet opened its new session in Tokyo, Premier Kiichiro Hiranuma announced (1) that wartime control measures would be placed on a permanent basis and (2) that Japan has no alternative other than to "exterminate those who fail to understand" her aim in China.

Said Foreign Minister Hachiro Arita: "What Japan desires is the creation of a new order which is to secure the permanent peace of east Asia, that is to say, the construction of a new east Asia upon an ethical foundation wherein Japan, Manchukuo and China, while each preserving her independence and individuality, will stand united and linked together for active collaboration and mutual aid . . ."

Germany

Dr. Hjalmar Horace Greeley Schacht gained a good world name by rescuing the German mark during post-war inflation. He has headed the Reichsbank ever since, switching over to Nazidom despite its unorthodox policies of self-sufficiency which are diametrically opposed to recognized economic and political principles. Though Germany's finances have suffered through foreign trade losses, Doctor Schacht was miraculously able to restore a measure of economic prosperity.

But this has been a personal victory, won not through Nazi merits but through Schacht friendship. Because he held such a good name, Doctor Schacht was able to travel in select foreign circles where Nazis Hitler, Goering and Goebbels would not be accepted. Result: He wangled many a foreign trade concession, especially from England. The belief that he may have been wolfish despite his sheep's clothing is further illustrated by the Schacht plan for disposing of German Jews, whereby democracies would agree to stimulate consumption of Nazi exports.

But Doctor Schacht has been summarily dismissed as Reichsbank president, a sudden coup which observers can interpret in either of two ways:

Pro-Schacht. Because of the unique confidence foreigners place in Doctor Schacht, Reichsfuehrer Hitler may believe him more useful as an international salesman than a banker. Since he is to remain in the cabinet (without portfolio) there are rumors he will attempt to peddle

GERMANY'S WALTHER FUNK
Will Dr. Schacht become a salesman?

Jews and exports abroad, meanwhile speeding up the return of war-lost German colonies.

Anti-Schacht. His successor to the bank presidency is Dr. Walther Funk, economics minister who champions the Reich's barter trade principle. This theory differs as night and day from U. S. Secretary of State Cordell Hull's reciprocal trade system, and Doctor Funk's appointment indicates Germany will continue to expand her foreign trade along unorthodox barter lines.

But an even greater fear of German bondholders is inflation. Long a foe of excessive borrowing, Doctor Schacht saw his financial suggestions abandoned time and again last year as the Austrian anschluss, Czech crisis and Sudeten acquisition drew Germany deeper into the red. That inflation is coming may be indicated by the fact that 1938 saw currency circulation rise 20 per cent, bank clearings 50 per cent and bank deposits, 15 per cent.

Medicine

Until the New Deal, socialized medicine received little publicity. Last spring President Roosevelt appointed an inter-departmental committee to investigate health programs, this group subsequently clashing with the American Medical association and bringing to a head monopoly charges now pending against the association. Predictions are that the U. S. will inaugurate its comprehensive public health program before the justice department gets around to hearing A. M. A.'s case, thereby lessening the value of this proceeding. The prediction is bearing fruit in President Roosevelt's long range health program just presented to congress.

The program: Beginning immediately, federal-state expenditures would be increased to $850,000,000 annually by 1949. Funds would go generally to help poor people receive medical and hospital care, to establish clinics, encourage vaccinations, develop maternal and child welfare clinics and stimulate disease-control measures.

Treasury

In 1934 congress gave President Roosevelt two broad monetary powers. Under one he could reduce the dollar's gold content by 50 per cent, though since 1934 the rate has been 59.06 per cent. Under the other power the President created a currency stabilization fund with increment accruing from the government's revaluation of gold holdings. Originally estimated at $2,000,000,000, the fund is used to protect the dollar's value on international exchange, preventing undue fluctuations.

Both powers expire June 30 and the White House has already asked that they be renewed until the current presidential term expires January 15, 1941. Although lawmakers consider neither grant dangerous, the mere fact that gold devaluation and the stabilization fund are "powers" is enough to make this year's fiery-eyed congress balk.

Biggest opposition will grow out of the treasury's refusal to divulge even the size of the stabilization fund, the two-billion-dollar figure being only a guess. Though softened by well-substantiated reports that the government made about $6,000,000 profit on the fund last year, Michigan's Sen. Arthur Vandenburg is expected to demand a full public accounting before voting to continue the President's power.

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 $65,000,000,000 in tax exempt securities now outstanding (of which some $50,000,000,000 would be taxable) is so formidable that it discourages investment 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 quazi-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 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

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

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

In Rome, **Premier Benito Mussolini** happily announced that 1,031,000 Italian babies were born in 1938, an increase of from 22.7 per thousand in 1937 to 23.6.

● In Paris, the **duke and duchess of Windsor** moved into their modest new home, leased for two years.

Trend

TELEVISION—British Broadcasting corporation, celebrating the second anniversary of television, announces 10,000 picture receivers are now being used in England.

MONEY—Idle credit resources of federal reserve bank members have reached an all-time record high of $3,560,000,000.

DROUTH — The Southwest's "dust bowl" is in its best condition since 1932 with 13,752,118 acres planted to cover crops and only 2,664,000 acres expected to be subject to wind erosion this year.

CONVENT—Henceforth government troops may be billetted in the premises of Austrian convents.

ARMY—Current increases in the U. S. army will boost the nation from tenth to eighth ranking in world military forces.

Bruckart's Washington Digest

Theory of Spending Ourselves Out Of Depression Seen Unwise Course

Evidence in Congress of Definite Determinaton to Cut Down on Appropriations; Sound Sense of American People Always Finds Answer to National Problems.

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

WASHINGTON. — It always has been my conviction that the American people will find a sound answer to every national problem, if they are given the facts and the time to figure out what those facts mean. They may be swayed temporarily; they may be led or herded or threatened and these conditions may put them in a wrong spot temporarily, but I repeat that if they are given time, the national conclusion, the collective thinking, will be along sound lines.

They are demonstrating these things as a fact, again. There is no doubt about it. For five or six years, a considerable majority of the nation's citizenry was following the theory of spending ourselves out of the depression. It was an unsound course, obviously, but money was made to do a lot of talking—as money in billions of dollars will talk. Lately, however, hardy American thinking has been carrying the majority back to normal understanding, and the influence of spending by the federal government is sagging, distinctly.

Notwithstanding the statements, frequently heard from Republican sources, that "you can't beat Santa Claus," or the variation that "you can't beat $4,000,000,000," there is plenty of evidence to show that there is quite a definite determination to quit that sort of thing. That is, there is a determination in most places outside of the so-called inner circle of New Dealers. Especially is this true in the halls of congress where, unless there is an earthquake, many important steps will be taken by senators and representatives in the direction of sounder government finance. The old and familiar American traits of initiative, of saving, of living within one's income, are coming to the surface very rapidly and the restoration of these traits to places of respectability in American life is being reflected on capitol hill in Washington.

Opposition to Philosophy Of Spending Breaks Loose

It will be recalled how the opponents of President Roosevelt's philosophy of spending showed their mettle in the house of representatives when that body voted to cut $150,000,000 off of the deficiency relief appropriation. Mr. Roosevelt asked for $875,000,000. The cut was accomplished despite some hair-raising stories from official sources in the administration that elimination of any of the requested funds would mean suffering, maybe starvation, maybe quick death, for many thousands of persons.

Well, the house members (or a majority of them) did not believe those stories, and thus they made a start at cutting governmental spending. They gave an indication at the same time that there must be a general revision of the federal government's machinery for relief of the unemployed. During the debate and in the corridors, one heard frequent expressions that congress had appropriated last year the funds the administration thought necessary to maintain relief until the end of next June. But profligate spending had used up the money and the professional relievers had returned for more. Some of the debate was quite acrimonious and various charges were hurled that the relief officials had tried again to "buy" the election, that being why the funds ran short.

Immediately after the house was through with the relief bill, the opponents of spending in the senate started after the appropriation. There were many in that body who wanted to appropriate only for two months, proposing that in the meantime there should be a brand new relief setup devised. But the majority sentiment was swayed by the general argument that, whatever the shortcomings of the Harry Hopkins relief methods, poor people should not be made the goats; it was no fault of the unemployed who needed help that Mr. Hopkins, now the secretary of commerce, had made a mess of the relief program.

Beginning Only Foretaste Of What Is Coming

While it seems that a cut of $150,000,000—which is about one-fifth the amount asked — represents something substantial, this beginning is only a foretaste of what is coming. The spenders have had their innings for five or six years, or since Mr. Roosevelt's "economy act" of 1933 was abandoned as a pattern of government. They have used various names and descriptions, such as "pump priming" and spending to restore prosperity, etc. It appears now, however, that their days are numbered. I do not mean that everything in the way of government cash sop is going to be thrown out of the window at once. I believe I can see, however, that curtailment of federal waste has begun; that the national belt is going to be pulled tighter by a couple of notches and that, sooner or later, even the beneficiaries of the federal cash will note the stigma and slacken their demands.

One of the leaders in this direction has been Sen. Harry Byrd, the Virginia Democrat, who is just as hard boiled in preserving a sound national government as his senior, the redoubtable Carter Glass. Through thick and thin, Senator Byrd has been attacking the spending policies, calling attention to the dangers of an increasing national debt and the certainty that the country as a whole must bear the burden of added taxation. He did this the while administration sharpshooters were firing one broadside after another at his head or hide.

The other night, Senator Byrd got on the radio and told the country again what was happening. He had some new facts and figures about the situation. The Virginian asked some rather pertinent questions, too, about the situation in England. He pointed out that England has not been running deficit after deficit and that, as a matter of cold fact, while the United States was adding more than $21,000,000,000 to its national debt, England was balancing its budget and making some headway in reducing its national debt.

States Take Heed and Start Cutting Expenses

Due largely, the senator thought, to the fact that England had tried to live within its income as an individual would do, that nation had a national income in 1937 that was 118 per cent of its income in 1929. Which is to say that it was more prosperous than in 1929. Senator Byrd pointed out that this had happened while our government was running from a billion or so to five or six billions into debt each year. He suggested, moreover, that if the United States had done as well this country's national income would now be $88,000,000,000 instead of the $60,000,000,000 which was estimated for 1938. The thought was then advanced that England had not tried to "harry and frighten business" which was employing people who wanted work, not charity.

There are other things happening besides the Byrd attacks and the congressional action on relief appropriations to indicate the growing strength of those who believe spending borrowed money has been, and is, unwise. Word has come through to Washington of the action of several governors who are insisting that their states avoid getting into the hole. Governor Cochran of Nebraska, a Democrat, and Governor Bricker of Ohio, a Republican, each has put their respective state legislatures on notice that expenditures are to be pared to the bone. There are others who could be named, but from the information we have here in Washington, Governors Cochran and Bricker are the outstanding examples.

It might be said that these refer only to states and not to national policies. Very well. No state executive could get away with such a program unless he had the backing of a majority of his own people. If they believe that way about state affairs, there is no reason to think they will take a contrary view concerning the national treasury and funds which it must borrow to spend.

'Pump Priming' Gifts to States Force Them to Borrow

Further, nearly all of the federal appropriations for "pump priming," when granted to states or lesser jurisdictions, are offered on condition that the state, or city or county, must put up an equal amount. In hundreds of cases in the last six years, this policy has resulted in states or lesser subdivisions of government being forced to borrow on its own bonds in order to get hold of the federal cash. The result: new debt. It becomes clear, therefore, that if the state executives insist on reduced expenditures, they are unlikely to accept these federal gifts because of the probable added debt burden.

Another thing likely to happen in some of the states is added taxes. The state legislatures are due for an awakening as to the actual condition of their state finances. Some may dodge it this year, but facts will have to be faced. When new taxes come, what a howl there will be! That howl will be heard in congress, too, both concerning state and county and city taxes on the one hand and national taxes on the other hand. It appears to me that taxes will prove to be the best antidote for the poison of borrowing to spend that can be found.

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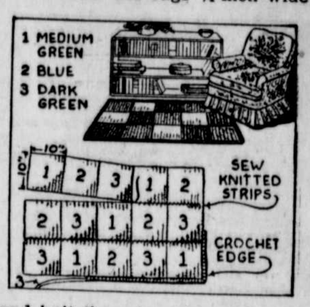
Knitted Rag Rug to Make in Soft Colors

By RUTH WYETH SPEARS

HERE is news for those who have been writing me for more rag rug designs. A special Rug Leaflet has been prepared for you. It will be included free upon request with your order for the two books offered herewith. If you already have these two useful books, send 6 cents in stamps for the Rug Leaflet.

Wooden knitting needles ⅜-inch in diameter are used for this rug. Cut or tear the rags ¾-inch wide



and knit them in strips 10 inches wide, changing colors every 10 inches by cutting the material close to the needle and sewing a new color to it.

When three strips have been knitted with the colors arranged as shown here, sew them together on the wrong side with heavy carpet thread. Use a crochet hook of about the same size as the knitting needles for the edge of single crochet.

NOTE: Be your own decorator. Make new draperies; curtains; slipcovers; bedspreads and dozens of other things for every room. Mrs. Spears' Sewing Book No. 1—"SEWING, for the Home Decorator," shows you exactly how, with step-by-step illustrations. Book 2—Gifts, Novelties and Embroidery, shows you how to make fascinating things from odds and ends and will save its cost many times. Books are 25 cents each; if you order both books, the Rug Leaflet is included FREE. Address: Mrs. Spears, 210 S. Desplaines St., Chicago, Ill.

SAFETY TALKS

Crossing the Road

HERE'S the modern counterpart of the ancient chicken poser:

Why does a pedestrian cross the road—at the wrong places and without looking?

That's what the National Safety council is trying to find out after an examination of its records which proved that at least a third of the pedestrians killed in rural areas and 40 per cent of those killed in cities were crossing at places other than intersections.

In 1937, the loss of life from these classifications mounted over the 5,600 mark.

TRUE!

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EDNA RIGGS, *Lecturer, Los Angeles*

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When you are constipated two things happen. FIRST: Accumulated wastes swell up the bowels and press on nerves in the digestive tract. This nerve pressure causes headaches, a dull, lazy feeling, bilious spells, loss of appetite, and dizziness. SECOND: Partly digested food starts to decay forming GAS, bringing on sour stomach, acid indigestion, and heartburn, bloating you up until you sometimes gasp for breath. Then you can't eat. You can't sleep. Your stomach is sour. You feel tired out, grouchy, and miserable. Adlerika gives you the DOUBLE ACTION you need. This efficient carminative cathartic relieves that awful GAS almost at once. It usually clears the bowels in less than two hours. No waiting for overnight relief.
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