

MILLIONS IN TAXES LOST TO UNCLE SAM

Provision of Income Law Permits Evasion.

EXCHANGES NOT TAXABLE

Thousands of Stocks and Bonds Virtually Sold Without Contributing to Government.

BY HARDEN COLFAX. (Copyright, 1922, by The Oregonian.) WASHINGTON, D. C., Nov. 18.—(Special)—Congress probably will be asked by the treasury department within the next four weeks to make a change in the tax law under which the government's income would be increased by \$100,000,000 or more annually.

Both the bureau of internal revenue, the tax collecting branch of the federal government and the tax simplification board have had the section under scrutiny for some time. In addition, Secretary Mellon is reported as having a lively interest personally in the subject and may make the proposed recommendation in his forthcoming annual report.

"On an exchange of property, real, personal or mixed, for any other such property, no gain or loss shall be recognized unless the property has a readily realizable market value, but even if the property has a readily realizable market value, no gain or loss shall be recognized when any such property . . . is exchanged for property of a like kind or use."

"Exchange" Business Brisk. There are several other provisions of similar tenor. Under the provision of this section of the law, many dealers in stocks and other securities are openly advertising, in the treasury is informed, their willingness to make "exchange" of securities without the levy of taxes on enhanced values of the securities thus exchanged. Under previous revenue laws this practice was not permitted.

Thousands of sales, it is reported, are made during the course of ordinary business every week in the securities market of New York alone, possessors of high-priced stocks and bonds thus being enabled to convert them, from the revenue tax, into other forms of securities. It would be possible, under this section, unofficial observers say, for an individual or firm to buy and sell a large business in stocks and bonds through a system of exchanges without placing clients to the inconvenience of paying the government any income tax whatever. More reputable firms, however, regard this kind of trading as an evasion of law and do not participate in it.

Millions Slip Away. The subject has been discussed for some time by officials of the internal revenue bureau, who realize the magnitude of the fortune in taxes slipping away from the government every year that the present provision of the law remains in effect. Members of the tax simplification board also have looked into this potential source of revenue and may embody in their forthcoming report a recommendation that the exchange provision be repealed. The report of the board is being written now for presentation to congress December 4, but, it is understood, no definite decision has yet been reached with respect to that section.

The board has under consideration the recommendation of other measures as well, to simplify the procedure of tax reporting and collection. So has Secretary Mellon, who will likely embody them in his report.

Industrial and commercial developments of the week showed no pronounced change from their previous upward trend. Car loadings dropped slightly—from 1,014,000 to 994,000 carloads for the week—but, despite the slight decrease, hung up a new record, being the highest ever recorded for the first week in November. Shipments of lumber showed a decided gain, as did the volume of orders, but production dropped about 8 per cent below the level of the preceding week.

Auto Output Enormous. There is no longer any doubt as to where the automobile manufacturers are bound with their production figures. On the first day of November they stood within a few thousand cars of the total for the whole year of 1920, the biggest year ever recorded. It is estimated that by the middle of November they had passed the 1920 mark easily, and from now on the returns will only indicate the growing largeness of the new record.

Sensational advances in the price of corn within the past four weeks is spelling real prosperity for the farmers of the middle west. The advance, almost wholly unexpected, found the farmers with most of their crop on hand in reversing the usual procedure, under which the middleman has reaped the profit. Cotton also continued toward higher levels. As an indication that business is continuing to improve, one of the largest of the 5 and 10-cent stores reported aggregate October sales of \$15,775,000 as compared with \$14,498,000 in October last year.

Women Realtors to Meet. The Women's Realty board will hold its regular semi-monthly meeting next Friday noon at the Oregon grill. A. R. Ritter, president of the

Northwest Real Estate association, will deliver the principal address, stressing especially those topics which are of particular interest to women engaged in the real estate business. Mr. Ritter will relate some personal experiences while actively engaged as a realtor during his term as president of the Portland Realty board. Mrs. T. B. Neuhansen will preside at the luncheon.

SOLONS GET WARNING

Progressive Party Chief Sends Out Circular Letter. "As state chairman of the progressive party, I suppose that I represent, as nearly as it is possible at this time, the 100,000 progressive republicans and the 50,000 liberal democrats who voted for Walter Pierce for governor," announced Norman S. Richards in a letter he has sent to the members of the recently formed progressive party. Continuing, the statement says: "I am assuming that 4000 machine democrats voted for Pierce for purely partisan reasons, and in spite of their dislike. Until this potential third party, formed by the breaking away from the reactionary elements at the last election, is better organized and has a more competent head, I presume to speak for them."

Addressing the members of the legislature, Mr. Richards said: "Senator Pierce was elected governor by the federated patriotic societies and the Ku Klux Klan, supported by the progressive movement and the independent vote—the narrowest must admit—and on a tax reduction programme. And if reported to have been made under the guise of exchanges, absolutely free of tax on the profits involved. It is difficult to measure the amount of income thus lost to the government, but unofficial observers place it at from \$75,000,000 to \$125,000,000 annually.

CAR STRIKES AGED MAN

L. A. Williams, 80, Hurt in Triple Mishap on East Side.

In a triple accident at Grand avenue and East Stark street yesterday afternoon, L. A. Williams, 80 years of age, a gardener living at 485 East Washington street, was struck down and severely injured. At St. Vincent's hospital he was found to be suffering from a badly bruised right shoulder and from shock. He was caught under the wheels of a machine driven by L. H. Campbell, 65 East Twenty-sixth street, which was thrown from its path by a Montavilla street car. Campbell, going east on Stark street, was struck by the car, northbound on Grand avenue. Williams had just stepped from the curb when the machine struck him. Alexander M. Jackson, son of A. G. Jackson, suffered cuts about the head when he was thrown from his father's machine at Oregon and East Sixth street, the car landing on the sidewalk, following collision with another automobile. The boy was taken into the North Pacific Dental college, nearby, where his wounds were dressed. Other members of the family were badly shaken but not injured.

STUDENT BADLY INJURED

Auto on Way to Football Game Upset Near Junction City.

EUGENE, Or., Nov. 18.—(Special)—Paul Van Allen, a student of the University of Oregon, from Days Creek, Douglas county, was seriously hurt when the automobile in which he was riding from Eugene to the football game at Corvallis today overturned at a curve in the highway just west of Junction City. The other occupants of the car were not seriously hurt. Van Allen was injured in the back. He is now at the Eugene hospital. An automobile driven by H. H. Moore of this city, also filled with people on the way to the game, overturned near Corvallis, but none of the occupants was seriously injured.

Press Club Paper Issued. "El Toro," the official publication of the Seattle Press club, is just off the press and several copies have found their way to Portland. The editor-in-chief, who styles himself "The Toreador," is Kenneth Gilbert; Rex Reynolds is "matador" and "picadors" were Thomas Thurby, Stuart Morris and Paul Fung. William J. Pretain, ex-Portland newspaper man, was a liberal contributor to the publication. "Seven and Saw de Bars" is the title of a sport contribution by Hugh Wiley.

GREAT OPPORTUNITY SEEN FOR AMERICA

Harden Thinks Intervention Needed More Than Ever.

FURTHER STRIFE IS NEAR

English and French Interests Are Expected to Clash Again Over Problems in Turkey.

BY MAXIMILIAN HARDEN. (Copyright, 1922, by The Oregonian.) Because the seed for new wars has been sown in the near east and the general European development are ominous, Harden believes that opportunity for the United States to aid in Europe's restoration is greater than ever before.

BERLIN, Nov. 18.—(Special cable.)—Considering the American election returns, it would not seem that the Hughes doctrine has obtained the same success as the Monroe doctrine. The principle that no foreign state must meddle in American affairs seems to have been undisputed everywhere for a long time, but the amendment which the cable now angrily announces, and which is much discussed by disappointed Europeans, is not so indisputably right, namely, "international co-operation means for America entanglement in quarrels which we do not desire to have anything to do with."

Whether the chief of the state department really said that or whether the reporter interpreted wrongly is uncertain, but the wise Hughes, who called the Washington conference and who knows better than any other man in America concerning Europe, cannot have meant that one called because of his power to arbitrate would necessarily be entangled in the quarrel he was judging.

Ocean No Longer Defense. Whether the continent experiences a renaissance or goes into liquidation it will still remain important economically, politically and culturally to the new world whose pilgrims it furnishes and America will not desire to prove that the blood of the American people is not thicker than water. The man who sacrifices her precious blood of her youthful sons was a grotesque mistake by now abandoning the fight for right and human justice. To do so she would threaten herself with being separated only by oceans, which no longer are effective defenses against two kinds of chaos.

The man who co-operates—especially when strong like America—can control his partner's every movement, thus protecting himself from possible dangers, separate action. Are not the dangers of individual national action already apparent enough? Because, the post-war Lloyd Georgeian era frightened France into believing England's "island isolation dangerous"—for England is not essentially a European power, having other and greater interests in other continents—England still kept alive the balance of power theory, fearing France-German co-operation. And because France thought necessary to threaten England, not only with submarines and airplanes in the channel but with more ef-

factual weapons on the petroleum routes and in India, she brought the Turks back to Europe. Thus seed for new wars are sown in the near east; nationalism is encouraged in Italy; Germany and Egypt and the soviet Russians are given opportunity for alliances and suitable fronts for attack.

Further Strife Indicated. The British elections have resulted in conservative successes, which means strengthening of the British anti-Turk position, so that Lausanne will show still more clearly the strife between English and French interests.

What good has the British help against French demands done Germany? German money is almost valueless and nothing is done to remedy it. The reparations commission went to Berlin desiring an understanding, but could get no definite proposals from Stinnes and the industrial party, which would promise only small reparations and asked the evacuation of the Rhineland and most favored nation treatment for Germany's surplus manufactures to be produced by the 16-hour work day. Unfortunately, the victors found the demands too great and their own advantages too small.

Foreign Control Predicted. What will issue from this dark thicket? Foreign financial supervision of Germany must come unless Germany shows she can stabilize her currency. The proposed financial loan would be swallowed up in a short time without leaving a trace. That foreigners now are buying German land, dwellings and factories at 5 per cent their real value is a sad commentary on the fall of the mark, but in this way foreign interests become bound up with Germany, which is a preparation for the only real solution—rational internationalization of the European situation.

And America is to be absent from all this and will have nothing to do with the quarreling boys, a continent is feverish from the aftermath of terrible fighting and a new struggle is begun for the earth's gold, iron and coal. Will America let pass this hour of opportunity for co-operation and perhaps arbitration by adopting prohibition of state wisdom?

Sunnyside Scouts Win Prize. Boy Scout troop, No. 47, has been announced as winner of the Music week award offered the troop that would obtain the largest number of pledges from homes to devote one hour to music during the week. A portable phonograph was the prize. This is the Sunnyside school troop and H. J. Wells is scoutmaster. Members of this troop obtained 500 pledges. Several thousand music pledges were brought in by the 168 scout troops in the city.

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