

Truman Asks \$6 Million More in Taxes for Record Budget

(Story in Column 2)

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IT SEEMS TO ME

By Charles F. Sprague

The messages of retiring governor John H. Hall and incoming governor Douglas McKay are pretty much cast in the same mold. There is rather close uniformity of ideas on acute problems of finance, and no apparent collisions of ideas on other items of state policy. The one in both messages is cautious; neither plows any new ground.

On the subject of financing the bulging and unbalanced budget of expenditures for the biennium, Hall and McKay agree with the Snell recommendation of two years ago: take the property off-strings of the corporate excise tax and let it be used for general purposes. They agree too on diversion of proceeds of personal income receipts to the general fund. Both propose use of present income tax surplus for a state building program. Hall would take from it also an adequate increase in salaries of state employees. He thinks the surplus on hand can be used by legislative action; McKay would have the building program referred to the people for approval of the diversion. Hall and McKay recommend cancelling the Walker plan of discount of income taxes when a surplus exists. McKay would give taxpayers a credit for medical expenses and \$250 for insurance premiums; and would abolish the withholding tax. Hall notes the fast mounting cost of public welfare (old

(Continued on Editorial page)

Street Fixing Begun by SP

Rail repair crews have begun work on a three-block stretch of the Southern Pacific railroad track along South 12th street from State street south, City Engineer J. Harold Davis reported Monday.

Part of a campaign promoted by the Salem council to clear traffic hazards along railroad right-of-ways, the project will include resurfacing, new ties and rails along the bumpy section.

Section leaders report that the work will take about five weeks to complete. The city has granted the railroad company permission to block the east lane on a portion of 12th street for storage of materials.

Will Seek Addition For Allies

By Douglas B. Cornell
WASHINGTON, Jan. 10 (AP)—President Truman told congress today it will take at least \$41,858,000,000 to run the government right next year -- half of it to hold back the communist tide.

Republicans immediately demanded deep slashes and party lines quickly formed for the big tests ahead. Mr. Truman's budget covering the 1950 fiscal year beginning next July 1 is peacetime's biggest -- \$1,678,000,000 larger than this year. For the cold war with Russia he asked the most powerful military forces the country has ever had outside a war -- and funds to bolster allied nations against the red surge.

Moreover, Mr. Truman served notice he will ask more funds later to supply arms to non-communist nations, a step which will push the budget even higher. All told Mr. Truman asked for a tax increase of nearly \$6,000,000,000. First he reiterated his recent request for a \$4,000,000,000 increase, mostly on corporations. He then asked nearly \$2,000,000,000 in social security taxes, to finance new and old programs. He did not give an inch in his demands for the vast social and economic program he demanded in his state of the union message; such as housing, better schools, more social security benefits.

On the defense front, Mr. Truman stressed the importance of air power, but frowned on the idea of a 70-group air force, which has been heavily backed in congress and by the air generals.

Mr. Truman said the prospects for the 1951 fiscal year are for even greater governmental costs. He mentioned national defense and world responsibilities. Republicans called the Truman figures dangerous, reckless and over-estimated. But administration forces showed no signs of discontent.

Rep. Cannon (D-Mo.) called the budget "the most practical that could be presented at this time." Cannon will head the house appropriations committee where spending bills originate.

The committee's ranking republican, Rep. Taber of New York, observed "they've evidently given everybody everything they asked for." He said it would be cut down.

Senator Pepper (D-Fla.) said Mr. Truman had done "a splendid job" in holding the budget to a figure "only \$1,678,000,000 over 1949 with the many increased demands on it." (Additional details on page 2)

No Weather Relief Due; Midwest Expects Ice Snow and Sleet Gripping Nation

By the Associated Press
The Midwest, already covered with snow, ice and sleet, braced for a dangerous freezing rain late Monday.

Frigid weather gripped the citrus country of southern California for the second time in a week.

WHITEHOUSE, Yukon Territory, Jan. 10 (CP)—Yukoners who usually brag they live in the coldest spot on this continent with 70 to 80 below-zero temperature common, today cavorted in a gentle southern breeze bringing 40 to 50 degrees above-zero weather. And they had plenty of sunshine, too.

icy winds whipped snow into its winter playgrounds. In western Nebraska, a new snowstorm was piling an expected four-to-six-inch fall on highways still clogged by the remains of last week's blizzard.

At Kansas City the weather bureau forecast 48 hours of freezing rain followed by "the most serious ice glaze condition in many years" for Oklahoma, Missouri, and Kansas. Highways were still open but travel was hazardous.

In southern California, where a low of 18 degrees was predicted for tonight, citrus, vegetable and flower grows ignited smoke pots in an effort to warm the chill air.

The weather bureau reported the first snowfall on record in San Diego. Palm Springs, popular winter resort, had three inches.

Chinese Reds Crush Troops

NANKING, Jan. 10 (AP)—Chinese communist troops today were crushing with smashing attacks a government island of resistance north of Nanking which is delaying the red push to the Yangtze.

(The communist radio said remnants of the nationalist force — which it estimated at 130,000 men the day before — were "completely wiped out" by 10 o'clock this morning, Chinese time.)

Pilots returning from the front described the fighting as the "heaviest we have seen any time in China." Smoke from intensive artillery fire hung over the battlefield.

These forces of Gen. Tu Li-ming numbered possibly 250,000 when they defended the former base of Suchow. They were trapped about 150 miles northwest of Nanking in a pocket three miles long and a mile and a half wide.

License Fee Act Rejected

By Robert E. Gangware
City Editor, The Statesman
Salem city aldermen juggled several hot potatoes at their Monday night council meeting in city hall, and most of the act will be continued.

Several pending license fee bills were killed in favor of renewed attempts to establish a city-wide occupations tax system to collect fees from virtually all businesses, after strenuous objections to fee proposals were voiced by Restaurateur Ralph Nohlgren, Duckpin Operator Tom Wood and Alderman Thomas Armstrong.

City Manager J. L. Franzen was instructed to draft an occupations tax system appropriate to Salem, with an estimate of how much revenue might be raised.

Action also was delayed on a committee recommendation that 17 city firemen be added and all firemen put on a 64-hour week, beginning March 1.

Some aldermen questioned the availability of funds when Armstrong's committee suggested that fire department general funds or other moneys unused by the end of the budget year June 30 be used to pay the additional firemen until a 3-mill levy for additional firemen can take effect July 1. The measure adopted by city voters in November sets a shorter work week but does not provide for paying extra firemen needed before the levy operates.

Another controversial issue was left to die when all aldermen present but sponsor Albert H. Gillette voted to kill his resolution that the city force Oregon Pulp & Paper Co. and Salem Iron Works to remove installations from a never-opened but never-vacated block of State street west of Front street.

In traffic matters the council deferred changing city bus loading areas, ordered bids for widening South River road from Miller street to city limits, heard that south Salem merchants are prepared to support setback lines looking to eventual widening of South Commercial street and tabled a bill to revoke an Oregon Electric spur track franchise serving Larmer warehouses, provided the railroad improve drainage between its two spurs at Broadway and Liberty streets. (Additional council news page 2)

Leaders Named By Houses; Pay Of Help Raised

By Lester F. Coar
Staff Writer, The Statesman
Oregon's 45th legislature was off to a fast start today.

Its formal organization proceeded exactly on the basis of pre-arranged plans when the two groups met for their first formal session Monday morning.

Sen. William Walsh, 45, of Coos Bay, veteran of four sessions, was sworn into the senate presidency (in effect becoming lieutenant governor) by Judge Hall Lusk, chief justice of the Oregon supreme court, and a few minutes later in the house similar ceremonies by Judge Lusk formally made Rep. Frank J. VanDyke, 41, of Medford, speaker for the 1949 session. Van Dyke has served in three sessions.

The gavels were turned over to Walsh and VanDyke, respectively, by Sen. Dean Walker of Independence, temporary senate chairman, and Rep. Harvey Wells of Portland, temporary house chairman. The results were assured at separate senate and house caucuses Sunday night when no opposition to the candidacies of the leaders appeared.

Urge Expedited Action
Both Walsh and Van Dyke expressed appreciation for the honor accorded them and both expressed hope that what admittedly would be an arduous session would be expedited efficiently. The 1947 session lasted 84 days. Pay of legislators (\$8 a day) stops after 50 days.

Neither the senate nor house galleries was crowded for the initial sessions. Other officers for the two bodies also were elected as decided at the caucuses.

In the senate, Zylpha Burns, Portland, again became chief clerk; Mrs. Amelia Eisenhauer, Portland, assistant chief clerk; Mrs. Helen Stevens, Portland, calendar clerk; Banks Mortimer, sergeant-at-arms; Rex Adolph, S. A. doorkeeper; Gordon Barnard of Salem, reading clerk, and W. K. King, Prineville, reading clerk. All but Mrs. Stevens and Mrs. Eisenhauer served in the 1947 session.

Committees Formed
Officers chosen by the house were: Chief clerk, Claribel Buff, Portland; assistant chief clerk, Patricia Sherman, Portland; reading clerk, Rollie Truitt, Portland; calendar clerk, Edith Byron Low, Brookings; sergeant-at-arms, Joe Vogelsang, Portland; mailing clerk, Josephine Peterson, Salem; doorkeeper, Albert Nelson, Portland.

Walsh was nominated for the senate presidency by Sen. Carl Engdahl of Pendleton, his chief opponent for the office. The nomination was seconded by Sen. Howard Belton of Canby, president at the 1945 session.

VanDyke was nominated for speaker by Rep. Ralph Moore of Coos Bay, seconded by Rep. Paul Geddes of Roseburg.

Election and swearing in of the president and speaker was followed by acceptance of rule changes and the announcement of committees.

The house in its Sunday caucus voted to accept an offer of Secretary of State Earl Newby to provide attendants who would park legislators' cars. The senate declined the proposal.

Clerks Get Boost
Pay raises were voted for all clerical help in both senate and house. Chief clerks in both bodies will receive \$18 a day, instead of \$15, with other increases in similar or slightly smaller proportions. Senate secretaries were voted \$8.50 a day, house secretaries \$8. Previous pay was \$7 for both.

The 30 senate committees of last session were continued. In the house the committees were increased from 24 to 25, the natural resources group being split with fishing in one committee and forestry and mining in another.

Committee appointments were announced Monday, with Sen. Dean Walker, Independence republican, and Rep. Henry Semon, Klamath Falls democrat, heading the ways and means groups in the senate and house, respectively. (Other committee appointments page 3).

McKay Installed Governor Urges Quick Tax Action; Session Opening Smooth

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Sister State Session Riled

OLYMPIA, Jan. 10 (AP)—Two protests were dumped into the laps of the legislators today as the 31st session of the Washington state legislature officially got under way.

One postponed—at least temporarily — the seating of Carl R. Lindstrom, democrat, as senator. The second was a request by Land Commissioner Otto Case that they not confirm the election of Jack Taylor as his successor.

The protest on Lindstrom's election was brought by his republican opponent C. Christian Eriksen, on grounds that Lindstrom was not a bona fide resident of Tacoma's 27th precinct.

Case, who switched from the democratic to republican party in his campaign, asserted in his petition that Taylor made unfair assertions in his campaign advertising.

NW Power Near Collapse; Cut In Use Urged

SPOKANE, Jan. 10 (AP)—The Pacific northwest's vast power system hovered on the brink of collapse tonight and officials warned that a new crisis would develop tomorrow.

Power failures throughout the area or in any parts of it could occur without warning, a utility spokesman said, as the northwest power pool approached the breaking point in its generating capacity.

Consumers were urged to cut use of electricity drastically, not only from the 4:30 to 6:30 p.m. "peak period," but throughout the day.

Marshall Blair, supervisor of systems operations for the Washington Water Power company, said the power crisis would continue as long as the flow of water dwindles in northwest streams. Prolonged cold weather has frozen the rivers. The reduced stream flow cuts down the power making capacity of generators.

Cooperation of consumers in private homes who turned off extra lights and electrical appliances was credited with preventing a breakdown in the system tonight.

As an indication of how near the pool was to the breaking point, frequencies dropped from 60 cycles to 59½ late Monday causing electric clocks to run slow.

Fertilizer Output To Resume Monday

Fertilizer production at the Columbia Metals plant in North Salem will be resumed next Monday, it was announced yesterday by A. W. Metzger, vice president and general manager.

Output was halted several weeks ago when the shipping tieup left no warehouse space available.

Visitor at the plant Monday was D. S. Dinamore, director of development for American Potash and Chemical corporation of Los Angeles.

Initial Bills on Divorce, Tax, Retirement; Steelhammer First

Rep. John Steelhammer of Salem introduced the first bills of the 1949 Oregon legislature Monday, when he introduced measures in the house to repeal the state withholding tax and to provide for interlocking divorce decrees with a six-month waiting period.

Also introduced by Steelhammer was a measure to repeal a section of the state birth certificate in order to bar the designation of "illegitimate" from appearing on such public records.

A senate bill introduced by Sen. Frank H. Hilton of Portland would amend the state retirement act, permitting persons over the age of 65, if they choose, to remain on the job if capable of performing their duties.

The tax measure would repeal a law passed in the 1947 legislature providing that employers must deduct one per cent of their employees' wages for application against state income taxes.

The measure has been branded by many employers and Gov. Douglas McKay as "unworkable."

The divorce measure would replace the present absolute divorce decree with an interlocutory (conditional) decree and forbid bigamy law marriages in any state until six months after the interlocutory decree is granted.

Under the present law, legislators have pointed out, persons receiving absolute decrees may marry in other states before the required six-months waiting period expires and cannot be punished by Oregon law. Children of these

Proposes Funds Change, Higher State Salaries

By Wendell Webb
Managing Editor, The Statesman
Expressing a "firm conviction" that Oregon can and will solve its "vexing problems," genial, 55-year old Douglas McKay became the state's 25th governor at impressive ceremonies Monday afternoon.

The Salem automotive dealer, war veteran and former senator, sworn in to high office by Chief Justice Hall S. Lusk, called for immediate legislative attention to making cooperative and personal income taxes available for general use; financing of a state school and institutions building program from current tax surpluses; repeal of the withholding tax; average pensions of \$50 or more, and income tax exemption for unusual medical expenses and life insurance premiums up to \$250 annually.

His inaugural was held in the hushed chambers of the jammed house while hundreds unable to find seats or standing room heard his talk in the corridors and rotunda on a public address system.

The governor's address was the final event on the afternoon program, and followed a farewell talk by retiring Gov. John H. Hall, who called for similar changes in the state's tax structure, declared its financial status was "precarious," and promised "to continue to do everything in my power to further the interests and promote the welfare of my native state."

The ceremony included the escorting of supreme court justices and state officials to places of honor; a vocal solo of the national anthem by James McMullen of Junction City; invocation by Dr. Chester Hamblin of Salem; formal announcement by Speaker of the House Frank VanDyke that McKay had received a majority vote, and the declaration by Senate President William Walsh that McKay now was governor.

McKay presided at the joint senate-house session held for the inaugural.

McKay, in enlarging on his contemplated program, said his proposals would lead to a balanced state budget. He advocated state salaries commensurate with industry; removal of milk control from the department of agriculture; a highway modernization program with increased gasoline tax and registration fees if required; placing of liquor revenues in the general fund, and paying of old-age assistance from that fund, and increases in industrial accident benefits.

He also urged extension of the fish and game program, but with hunting and fishing licenses kept "within the reach of all"; amendments to the motor transportation act to provide more revenue; reduction in state publications and reports; cooperate with neighboring states on the question of daylight savings time to prevent partial adoption, and the fullest use of "our greatest natural resources — water."

In the latter connection, he said he planned to call a meeting of all agencies relating to conservation and water power to serve as the governor's advisory board in furthering a coordinated and integrated effort. Regarding power, he said hydroelectric energy was "the backbone of our industrial future."

(Additional details on page 3)

McKay Succeeds Hall as Governor at Monday Ceremonies



Salem's Douglas McKay became Oregon's governor Monday before packed galleries in the state house of representatives. Photo at upper left shows McKay being escorted to the rostrum by Sen. Angus Gibson, Junction City, on his left and Sen. Jack Lynch, Portland, followed by representatives Ralph T. Moore, Coos Bay, left, and W. W. Chadwick, Salem. Lower left is Gov. John Hall giving his farewell address. (Photos by Don Dill, Statesman staff photographer).

Upper right is Gov. McKay receiving an ovation from the crowd just after being sworn in by Chief Justice Hall Lusk. Second man in both pictures is Sen. William Walsh, Coos Bay, new president of the senate. Lower right photo shows some of the audience, clerks and officials listening to Governor McKay's inaugural address. (Photos by Don Dill, Statesman staff photographer).

Weather

	Max.	Min.	Precip.
SALEM	33	17	.00
Portland	32	16	.00
San Francisco	39	24	.00
Chicago	36	24	Trace
New York	46	30	.00
Williamette river	18	30	.00

Forecast from U. S. weather bureau, McNary field, Salem: Fair today and tonight with variable high cloudiness tonight. High today near 35. Low tonight near 17.

SALEM PRECIPITATION	(Sept. 1 to Jan. 11)	Average
This Year	18.18	18.07
21.90	26.15	

Animal Crackers

By WARREN GOODRICH



"Maybe it saves handling but it sure is uncomfortable."