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.

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.

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.

WHO'S NEWS THIS WEEK

By LEMUEL F. PARTON

NEW YORK. — Mushing along with Jim Titus, an old desert rat, about twenty miles southeast of Tonopah, many years ago, this scrivener was alarmed by the approach of what seemed to be a savage sandstorm. Old Jim, who seemed to know everything, reassured me.

Case-Hardened Diplomat, Ticket on Key Pittman

"It's that young feller Key Pittman. He's runnin' around in that big rattletrap automobile of his tryin' to get up a telephone company. Just kickin' up a dust—that's about all. No peace for anybody around here."

Mr. Pittman roared on through the greasewood, to set up his new telephone company, sluice a tidy little fortune out of that and sundry mining ventures, and to become chairman of the foreign relations committee of the United States senate. He backs up the President.

"Why shoot a man when you can starve him to death?" says Mr. Pittman, indorsing the hint of "financial sanctions" against world outlawry in the President's address. He readies his committee for action.

In Nome, Alaska, Mr. Pittman was a charter member of the Ornery Men's club, organized at Tex Rickard's bar. Years later, Ole Elliott, Tex Rickard's partner, reorganized the club in Tex's northern saloon in Goldfield. I believe Mr. Pittman's affiliations were with the Montezuma club, down the street, but he was a highly esteemed alumnus of the Alaska chapter and he found enthusiastic "sourdough" backing in his financial and political enterprises. Since 1913, Nevada has been sending him regularly to the senate.

He has been steadily against Japan—that is, against strong-arm Japanese trade and military aggression—and quite as fervently for silver. Well up in the headlines today is the conjecture that the President's new trade and credit militancy will move first in the direction of Japan.

Born in Mississippi, educated in Tennessee, practicing law in Seattle, Mr. Pittman landed in Dawson, Alaska, with a Canadian dime in his pocket. He manned a unilateral bucksaw for a few months before he was appointed district attorney. Jack London and Rex Beach found in him a rich pay streak of copy.

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THE son of a Buffalo dock worker, one of nine children, who had seen labor wars in his youth and through his lifetime, has sought ways to end them, was influential in bringing about the truce in the New York taxicab strike. He is the Rev. Father John Peter Boland, chairman of the unique New York State Labor Relations board since June, 1937. During his incumbency, New York has attracted the attention of the nation in its industrial mediation.

Priest's Fight on Strikes Gets Eye of Nation

"Stop them before they get started" is his formula, as he quotes the pope's encyclical, advising priests to "go to the workingman." When he was appointed to his present post, he retired from his parishes of St. Lucy and St. Columba, with the blessing of his bishop, the Rev. John A. Duffy of Buffalo. He became profoundly interested in techniques of labor mediation while studying for the priesthood in Rome. He urges regular meetings between employers and employees and continuous and constructive effort, rather than emergency action when trouble comes.

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WHEN the young German immigrant, Max J. Kramer, landed in New York and slept on a park bench, he had no "Don't Disturb" sign. Hence a policeman wakened him by whacking his feet with a nightstick. It was really opportunity knocking. The policeman, who happened to speak German, steered him into a carpenter's job, and, before long, he was buying and building hotels with the facility of a child handling building blocks. That was the only time he ever slept out.

Opportunity, as a Cop, Knocked With Nightstick

Last May, his wife, Maria Kramer, bought the 30-story Hotel Lincoln for $7,000,000 cash, tooling it over into the black in less than six months. She is a linguist, has made a career as a fashion expert and interior decorator.

Mr. Kramer, who had $3.50 when he landed, built more than 500 tenements, and, in 1925, had more than $10,000,000 worth of buildings under construction.

EXCELLENT DESIGN

Pretty Miss Nannelle Rentz displays something in a new swimming suit at Miami Beach. The suit is white satin with brilliant flowers.

The Whole World Topsy-Turvy to Him

Frank Balek, 12, Chicago youth, sees everything upside-down. He originated his own method of writing by beginning at the bottom, in the lower right hand corner, and writing from left to right. Not only does he read and write in this manner, but objects are also visually upside-down. He is in the fifth grade, and averages 85 in his studies, which indicates that his visual defection does not impede his educational progress.

Socialite—Honeymooner—Baseball Magnate

Miss Valerie Cole (left) of London, England, will be presented at court by her aunt, Mrs. Neville Chamberlain. She is making her home at No. 10 Downing street, the prime minister's home. Center: The former Gloria Baker, heiress to $11,000,000, whose marriage to Henry J. Topping, tinplate heir, took place in December, left recently with her husband for Honolulu, where they will spend several months at the George Vanderbilt home. Right: Helen Winthrope Weyant, 37, former chorus girl, is the largest beneficiary under the will of the late Col. Jacob Ruppert, brewery and baseball magnate. In addition to $300,000 in cash, she gets one-third of the income of the residuary and baseball trusts.

'Old Pete' Shares Billing at Flea Circus

Grover Cleveland Alexander, once the hero of Gotham baseball crowds, recently spent a three-weeks' engagement in a New York penny museum whose chief attraction was a troupe of trained fleas. "Old Pete," as he was affectionately known, lectured on baseball and answered questions put to him by fans.

OLD AGE ASSISTANCE

Whenever "Dynamite," a London, England, bulldog, wants a spot of fresh air he is loaded aboard a wheelbarrow by his master, an east coast resident, and is taken for his constitutional. He is accustomed to this means of transportation and looks forward to his daily ride.

Too Often a Champion, Skye Terrier Retired

Little Miss Barbara Bowden of London, England, and Champion Prince of Quarrydale, a fine Skye terrier, pose obligingly for the cameraman at the National Terrier club show which was held in Olympia recently. The Prince has been retired from championship classes because of his consistent success, having won 116 prizes in various shows.