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EDITORIALS

THE FARMER AND THE SALES TAX

When it comes right down to cases, Ray Gill, Senator Carney et al to the contrary notwithstanding, it looks like the farmer is the fair haired baby of them all when it comes to sliding out from under the burden of the so called sales tax, up for approval by the voters at the special election January 31. In fact, if the law means what it says, he is almost together out from under. What it says, in view of all the other kicked up about how the act in operation would hamstring the farmer is of undoubted public interest.

The last paragraph of sub-section "I" of section one of the act says that "said term (meaning retail sales) does not include a sale of tangible personal property to one who purchases for the purpose of using or consuming the same in producing for sale a new article of tangible personal property, of which the property so purchased is an ingredient or compound".

Start off with wheat. Lawyers who have examined the quoted section unite in saying that this provision exempts all wheat sold to milling companies, or to purchasers for use in producing flour, for flour very evidently is "a new article of tangible personal property" and therefore not subject to the one quarter of one percent tax.

Since all wheat grown in Oregon is sold by the grower to purchasers for ultimate milling, for use as feed which is exempt, or seed which also is exempt, lawyers are wondering whether any wheat grown in Oregon would come under the tax, so far as the growers are concerned. Milled wheat becomes flour, bran, shorts and most certainly is out if sold to an Oregon miller.

What about oats? Oregon oats almost all go to use as feed or seed, or into breakfast foods, where the milling comes in to make "a new article of tangible personal property" the tax upon which is paid by the miller and not by the grower.

What besides grain does the farmer of Oregon produce? The answer is milk, fruits of all kinds, vegetables of all kinds, eggs, cheese, butter, meat. That is about the entire gamut of farm production. All these commodities are specifically exempted from the tax. As long as the farmer sells his milk sweet, his eggs fresh, his fruit and vegetables raw and unprocessed and his meat on the hoof or fresh butchered the sales tax would not touch him. He would have to convert his hogs into bacon, lard and ham, and his wife their fruits and berries into jams and jellies before they would commence to become "wholesalers" and subject to the one quarter of one percent on their gross sales. The lawyers scratch their heads and ponder whether country sausage and headcheese would not class up with the milling wheat and become "a new article" after the pork was ground, seasoned and made ready for the consumer.

Besides all that Mr. and Mrs. Farmer have an exemption of \$50 of gross income each month from sales of their products which might come under the tax. Then too, all seed sold to persons producing new crops, or sales of feed to persons producing eggs, milk, wool, fur, meat or other substances produced from livestock or poultry are exempt. And another thing: the law says that to be subject to the tax a person must be engaged in the business of selling a particular thing. The words are that "the isolated or occasional sale of tangible personal property at retail does not constitute engaging in such business." So a farmer could sell a cow, or a bunch of them, or a span of horses or a bunch of them and not be required to pay the tax. When you get right down to it even some of those who wrote the law are commencing to wonder just where the tax does hit the farmer.

BUDGET BALANCING
There are some rumors to the effect that a balanced budget is in sight. The budget for 1937, on which Congress now is at work, may

give an answer to how far one must be able to see.

We don't know much about calculus, but by using simple arithmetic on that budget we find it would be 14 years. By that time, expenditures would have risen to \$14,461,000,000 a year and receipts to \$14,500,000,000. In the meanwhile, the deficits would have added \$18,910,000,000 to the present public debt, making the total \$50,261,000,000.

Nobody wants such a thing to happen. But the fact is that if we keep on at our present rate, it will happen. For the 1934, 1935, 1936, and 1937 fiscal years expenditures of the government have risen an average of \$412,000,000 annually. The average increase in income has amounted to \$639,000,000. The increase in expenditures would be much greater if contrasted with those before the depression.

In brief, the budget forecasts a deficit of \$1,038,000,000 for 1937. That fails to take into account the bonus and relief, and grants that new taxes will be levied to replace the AAA farm taxes.

If only a billion dollars is spent each on the bonus and relief, the expenditures for 1937 will be \$8,752,000,000. Business is much, much better, and tax collections therefore much higher. But even so, the Treasury estimates the government's income will add to only \$5,554,000,000 in 1937.

An interesting sidelight is that by the end of 1937, the federal debt will have been increased at least twelve billion dollars in four years. Total expenditures will add to almost thirty billion whereas total federal outlays from Washington to Wilson were only twenty-four billion.

Economic Highlights

Happenings That Affect the Dinner Pails, Dividend Checks and Tax Bills of Every Individual, National and International Problems Inseparable from Local Welfare.

Now that stock has finally been taken of industry's experience in 1935, the business experts are at work forecasting what will happen during 1936.

On one point, most experts agree: They forecast that business will be better this year. Famed prognosticator Roger Babson recently said that, on the average, business will be 10 per cent better this year than in 1935.

A well-rounded forecast recently appeared in Business Week, which has had a good record in peering into the future. Here are some of its predictions, based upon exhaustive surveys and analyses by its experienced staff:

FARM IMPLEMENTS: Manufacturers in the field expect the best in their history. **AGRICULTURE:** Both production and income will be larger than in 1935, despite the death of the AAA at the hands of the Supreme Court.

CONSTRUCTION: Last year residential construction about doubled 1934 total. It is doubtful if such improvement will occur this year, though it seems inevitable that gains will be made. The construction industry in general was hardest hit of any industry during depression, and practically reached the vanishing point. It is recovering slowly.

ELECTRIC POWER: This industry reached a new all-time record for power output last year. New records will be established this year, and will be reflected in widespread building and expansion. The industry's building budget for the year will involve the spending of more than \$200,000,000, and some think this figure must be raised. Before 1929, the industry was spending around \$1,000,000,000 annually, and spokesmen for the utilities say

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WE DRIVERS

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No. 4—OUR BRAKES

We've all noticed that whenever a train makes a long enough stop in a station, there's somebody on the job, dodging in and out under the cars making sure that everything is in good shape for the train to continue its trip. One of the things checked at every inspection point is the brakes. For nobody knows better than railroads how important it is to be able to stop when you have to stop.

Now, if we think of it in a certain light, we people who own automobiles are all running little transportation systems of our own... just like the railroads and airlines and bus companies. Home is the main terminal and there are lots of stops along the line... flag stops, you might say, and regular scheduled stops—like the office, the grocery store, the school, the theatre, and our friends' houses.

Just like the railroads, one of the main things we need to look out for is our brakes. Of course, everybody knows this and yet somehow or other we're apt to be a little careless about it. Not that brakes don't give us plenty of notice when they're going to need adjustment. As time goes on we find that we can push the pedal lower and lower, till after a while we can shove it down almost to the floorboards before the brakes take hold. Even then we sometimes wait quite a while before we have them adjusted. It just seems to be human nature to put off things like that. They tell us the result is that one-third of all cars on streets and highways at any given time have something wrong with their brakes.

The trouble is that when we let our brakes go like that, all of a sudden we may have to make an emergency stop, and we may find it rather embarrassing. Engineers say that if we realized what goes on in brakes we would see why we ought to keep them checked up. As they explain, it's a story of momentum and friction, the same old forces we've talked about before.

They say that when we get going we build up a certain energy in the form of momentum. Now when we want to stop, we can't just destroy that energy, because, scientists tell us, Nature never lets any of its energy be destroyed. We can only convert it into some other form of energy. What brakes really do is to convert speed-energy into heat-energy. When we push down on the brake pedal we press the brake lining against the brake drums and this creates friction that changes the energy to heat. When we have changed all the speed energy to heat, then we come to a stop.

Now modern brakes are very powerful. In fact, a 100-horsepower car will have about 500-horsepower brakes. They can stop us pretty quickly even from high speeds. But when they do, they simply change those speeds into a great deal of heat, in a very short time. The fact is we sometimes build up temperatures in our brakes as high as 1400 degrees!

It's easy to see that heat like that can cause a lot of trouble. Some of us may think it's fun to rush up to sudden stops, but we might as well realize that we have to pay for that kind of fun in excessive brake wear. It simply doesn't pay to build up brake heat a lot faster than it can be thrown off. And we certainly get hardly anything back in time saved. For instance, if we're going 30 miles an hour, our brakes can stop us in 40 feet if they are all right; but it takes them less than two seconds longer to stop us in twice that distance. How much better it is, under any normal circumstances, to begin to apply the brakes a few seconds earlier and, with gradually increasing pressure, bring our car to an easy stop. As a matter of fact, smooth, gradual stopping wherever the circumstances permit, is generally taken as a sign of a good driver.

Now if we want to keep our brakes safe and sound, it's important to remember what these fast stops do to them. But it's just as important to remember that all stops generate some heat in our brakes. That's what gradually wears down the linings, and sooner or later makes a brake-adjustment necessary. And that's why we must watch them and see that adjustments are made when they are needed.

So maybe it would be a good idea to keep on thinking of our cars as private transportation systems. If we keep them in good running condition, they will serve us with safety and satisfaction.

this figure would again be reached or passed if it were free from "political attack".

MOTORS: This industry was the bellwether of the recovery movement during the 1934-1935. It will continue to go places this year—makers are already laying ambitious plans for the introduction of 1937 model cars. Machine tool makers will prosper as a consequence—all car manufacturers will have to spend heavily for retooling programs.

STEEL: Will be heavy spender during year, as it modernizes and extends plant capacity.

RAILROADS: Here is another industry which has started an important modernization program, plans to continue it into 1936. Air-conditioning of passenger trains is a big item, and will account for a substantial percentage of railroad expansion budgets. And the trend toward streamlining trains, electric, diesel and steam, is significant.

TEXTILES: Forecast is that there will be greater consumption of cotton, rayon and silk in 1936 than in

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industry hopes to get a steadily increasing share of the nation's passenger traffic.

FINANCE: Experts anticipate more new security issues in 1936 than in 1935, with refunding issues dominating the capital markets. In general, the outlook for industrial profits is said to be steadily improving, despite new and higher taxes.

PRICES: General wholesale level for 1936 is forecast at about 10 per cent over 1935. Declines will probably be registered in food prices.

There you have 1936 in a nutshell, as the best guessers see it. They make many errors—but they are more often right than wrong. Every indication is that the year will be the best since 1929, in spite of the old bogey of a general election.

The Supreme Court's sweeping AAA decision is of extraordinary political importance. The two cornerstones of the New Deal structure were the AAA and the NRA. Now both are gone, being unconstitutional.

It is likewise of extraordinary economic importance. Both the major parties are committed to "farm relief". As a result, a dozen new farm relief programs—including one of Administration origin—will be in the limelight soon. There is agitation for the enactment of the old McNary-Haugen bill, vetoed by Coolidge, which is believed constitutional.

The decision has also caused agitation in certain quarters for a constitutional amendment to broaden the federal power. President Green of the A. F. of L. has intimated he might back such an amendment, as have heads of big farm groups. And some commentators are of the opinion that Mr. Roosevelt, whether he wants to or not, may have to campaign for the amendment unless he is willing to let his past policies go by the board. Opposed to the interests seeking constitutional amendments are those citizens who are afraid of any tampering with the fundamental character of the con-

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