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ARTHUR EDWARD POWELL
 Editor and Proprietor

EDITORIALS

TAX PUBLIC BUSINESS

"When Government goes into private business it is subject to taxation" says the San Francisco Chronicle.

"That is the effect of the decision of the United States Supreme Court holding that States have the power to tax bank stocks owned by the Reconstruction Finance Corporation.

"The Maryland bank case before the Court raised the question of the power of a State to tax a Federal activity. That was all that was expressively decided. But the inescapable logic of the decision is that State business enterprises cannot escape Federal taxation."

If the Chronicle interprets the recent decision correctly, everyone interested in sound government and sound finance will have cause for jubilation. Tax freedom for municipal and state business enterprises has been made into a virtual racket. An excellent example of that is provided by such ventures as municipal electric plants.

In no sense are these plants a basic government function, benefiting all the people. They serve only the users of power; they are an industrial, not a government service, and they are in business to make a profit. They are a commercial activity, pure and simple, and, on logical grounds, have no more right to tax freedom than has a private electric company. But every attempt yet made to force these plants to pay taxes on the basis of their private competition has been fought tooth and nail by municipal ownership advocates—who have invariably claimed such taxation would be illegal.

Taxation of government business enterprises would bring millions into the public treasury. It would do away with a most unfair and inequitable condition. And, at the same time, it would give the people a better idea of whether or not a government business can operate more cheaply and efficiently than a private business, if both must compete on the same terms.

BUREAUCRACY COSTS MONEY

The pet project of federal "Brain Trust No. 1" is doing a swell job—of spending money! Newspapers in Washington who went after facts found out these things about Professor Rexford Guy Tugwell's Rural Resettlement Administration. Since its inception, the Resettlement Administration has spent \$46,999,699. Of the total, \$19,727,305 went to "administrative costs," paying 13,945 employees, office rent all over the country, traveling expenses (in \$1,000 automobiles) and numerous similarly worthy purposes.

That's more than 40 cents out of every dollar. It is fairly indicative of the dollar's worth Uncle Sam gets out of his whole federal establishment, which had 815,789 employees in December, a gain of 211,078 in a year. And that total—the biggest in history—did not include the CCC, army, navy, Congress or the courts.

Hail to bureaucracy! (We almost said (Hell Hitler!)) It gives the taxpayer 60 cents worth for his dollar!

ROUND TWO

When the federal government started its assault on business, and thereby attacked the foundations of our tried and proved system of government, it made laws of such restrictive and undemocratic things as the NRA.

Public opinion, and the Supreme Court, ended that round. Progress, and business, then had a chance to catch its breath while new trouble was shaped up for it that was labelled the "breathing spell."

Now round two has started. Half a dozen proposals more dangerous and dictatorial than NRA are in the legislative mill. But a worse side of the picture is what could happen, and what some believe is happening to folks who dare to speak out against the trend in Washington. The things that could happen include:

Prosecution of individuals for alleged income tax violations, so timed as to offset the effect of their criticisms; the distribution of questionnaires, prying into heretofore pri-

vate affairs; the threat that those who don't keep quiet will not get government contracts; the intimation that certain persons may not get loans from the government, or if they already have them the threat that the loans will be called instead of extended; the threat that those who try to get back illegally-paid AAA processing taxes will be prosecuted for alleged income tax law violations forgotten for many years.

Some propose a law forbidding employers to attempt to influence those who work for them. How about expanding that to forbid the government to exert dictatorial pressure against those who say what they think? Or has the grand old American institution of free speech been closed down?

Economic Highlights

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

Before the present Congress convened, a great many commentators forecast that a knock-down-and-drag-out session was in prospect, that titanic legislative battles loomed, that almost every day would bring new headlines from Capitol Hill—that, in brief, there would be excitement, color, drama.

These commentators were not 100 per cent wrong, but they were close to it. The present Congress has been quiet and almost entirely without lustre, so far as the outside observer can see. Little acrimony has appeared. And debate over important measures has been a long way from brilliant.

There are, of course, reasons for this—political reasons. Those who know say that Mr. Roosevelt, with his tremendous House and Senate majorities, doesn't want any more hornets' nests stirred up before election than he can help. As a result, Congressional leaders are doing their real talking behind closed doors in the committee rooms. There they are bargaining and horse-trading. By the time important bills reach the floor, everything is cut and dried. Roll calls produce a flood of "Ayes" with a scattering of "Nays," and that's that.

Why do Republicans permit this? For the same reason as the Democrats—politics. Republican strategists seem to be just as sure as Democratic strategists that peace and quiet is in their best interest. They prefer to do their talking on the stump. And they too are motivated by the dread fear of alienating votes that might pave the way to a Republican win in November.

The new farm bill which, so far as anyone could see, went through Congress with very few ripples to mar its serene passage, provides a fine example of the conditions described above. In the words of Time, "Pressed by sprouting cotton seed and impatient farm leaders, Senators had no more time to consider than they had in 1933. Pressed by the political necessity of adopting a bill that would result in liberal distributions of cash before election day, they had little latitude. The outcome of virtually every roll call could have been predicated on the basis of political expediency."

The bill, as passed, is a curious mixture, including as it does a plan for a temporary stop-gap, and another plan for a permanent farm program. The stop-gap is based on the Soil Conservation Act of 1935, an obscure and, at the time of its passage, a seemingly unimportant bill. The Act gives Secretary of Agriculture power to prevent soil erosion. The new farm bill is an amendment to this Act, whereby the Secretary is authorized to spend \$500,000,000 a year to pay farmers not only for preventing erosion, but for promoting soil fertility. Thus, the Secretary can pay a farmer for taking his acres out of cotton, wheat or other cash crops, and putting them into non-cash crops, such as clover. With this power, the Secretary obviously has just about as much influence in controlling crops and production as he did under the dead AAA.

However, many authorities, some within the Democratic party, feel that the amendment might be given the same treatment by the Supreme Court as the AAA. Therefore the new bill permits the Secretary to provide money and other aid for setting up crop control agencies in the 48 states. State legislatures would pass laws giving these agencies powers the Secretary deems sufficient to carry out the major purposes of the Act—and "little AAA's" would be established. States refusing to fall in line would get no benefits after two years. Proponents of the bill believe this fixes up the constitutional angle of the plan, in that, tech-

nically speaking at least, crop control would be engineered by the states and not by the federal government, and so would not run into the objections laid down by the Supreme Court in the AAA test case. No means has yet been established for raising the required \$500,000,000 and a new bill must be passed for that. There is strong sentiment in Congress to raise at least part of the money through new corporation taxes.

Advocates of world peace shuddered a fortnight ago when the House of Representatives voted for the largest peace-time army appropriations in our history. Ominous reason for the super-budget was expressed by Chief of Army Staff Craig, who said, "It is perfectly evident to everyone that troublesome times have again arrived in the world. . . . We do not see how they can possibly concern us. Nevertheless, it is unwise to neglect the lessons of our experience."

For strictly military purposes, the House Bill provides about \$377,000,000. Non-military appropriations come to \$168,000,000, or a total of \$545,000,000. Navy expenditures are expected to bring total defense spending for 1936-37 fiscal year to almost \$1,000,000,000.

Washington Snap Shots

The real "low-down" on the drive for adjournment of Congress by May 1 is that it was decided upon when majority leaders saw increasing signs of an uprising which would threaten control of the legislators.

The indications that Congress was no longer willing to be completely a "rubber-stamp" were brought into the open by the dispute over the neutrality bill, on which the administration was compelled to give way and accept the Congressional version. Simultaneously, the House and its Appropriations committee were refusing to make money available for some of the pet brain trust projects, including the harnessing of tides at Passamaquoddy, Maine, and the cross-Florida canal; the inflationists moved nearer a vote on their bills; Secretary Wallace's demands that the new farm program must be law by February 15 were ignored; and members by the score talked vigorously, if privately for the most part, against passage of industrial control measures like the Walsh government contract and the O'Mahoney industry licensing bills, which would retard recovery.

Possibly of more significance was the steady shelving of all proposals to amend the Constitution or obtain the same objective by clipping the authority of the Supreme Court. Tests of sentiment last year showed the country against amending the Constitution to give the federal government more power and the states less. In recent months one speech after another has come from Secretary Wallace and others aimed at the courts. But once again the reaction was bad. Senator George of Georgia spoke out boldly in the Senate

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against tampering with the judiciary and warned that his patriotism was stronger than party loyalty.

Insiders who ought to know say the flurry over whether John L. Lewis, president of the United Mine Workers, should get a raise from \$12,000 to \$25,000 a year was carefully staged tactics.

The U. M. W.'s action in voting the raise, they say, accomplished three things: Told other unions which favor the Lewis industrial rather than the American Federation of Labor craft union ideas that the U.M.W. believes in its leader; gave Lewis the opportunity to win more friends by turning down the raise; brought higher pay to other U.M.W. staffers who otherwise could not have won the increases.

One thing that makes a lot of thrifty-minded Congressmen want to adjourn is a new pamphlet written by Lewis W. Douglas entitled "There is One Way Out" and published by the Atlantic Monthly Company. Douglas, once a good friend of the present administration, resigned as budget director because of his objections to the spending spree. In his pamphlet he calculates that in the last three years the federal government has spent as much as it did under 24 presidents in the first 122 years of the nation's history. The longer Congress stays in session, the more it votes to spend, and the tougher that makes it on the small salaried man when the time comes to pay the bill.

The Congressmen who want to know what their constituents really think are in an old-fashioned dilemma. On Tuesday, say a group of organized labor representatives walks into a Congressman's office urging him to vote for bills which would re-create the bad features of NRA. And on Wednesday, the American Federation of Labor remarks in its January review of business that a revival of the consumer goods industries—those which produce food, clothing, homes and the like—would give jobs to 6,000,000, but adds: "Only since NRA was declared unconstitutional has recovery even started in these industries."

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Beware of Swindlers Selling Securities

Swindlers who, in the past, have sold millions of dollars of fraudulent securities to the public by means of misrepresentation and concealment are now turning in increasing numbers to outright theft as a means of livelihood, says a report of the Portland Better Business Bureau. Effective administration of Federal securities legislation coupled with more aggressive enforcement of State Blue Sky Laws and systematic education of the investing public have made it practically impossible for fraudulent promoters to conduct an extensive sales campaign for a sufficient period of time to prove profitable. The stock swindler has accordingly adopted the spurious role of a buyer. Under this guise, his present mission is to secure valuable securities from unsuspecting owners and divert the proceeds from their sale to his own use.

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dler rents a mail privilege address under an assumed name and ostensibly sets himself up in business as a broker. He then approaches holders of good securities with an offer to purchase them at a price in excess of their market value. He frequently introduces himself as acting for a syndicate which desires to acquire a large block of the particular stock secretly and could not do so through open market operations without attracting undue attention. The owner is then induced to endorse his certificates and mail them in negotiable form with signature guaranteed to the fraudulent operator's "office". Needless to say, the securities are disposed of and the proceeds pocketed immediately upon receipt.

Investors hold in their own hands the effective means of combatting this type of swindler. They can do so definitely refusing to entrust their securities to supposed buyers whose reputations they have not checked or established by independent investigation. It will help too, if the investor will immediately report any such approaches by unknown firms to the Securities and Exchange Commission, the State Corporation Department, or the Better Business Bureau of Portland.



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