

IKE SENDS CONFIDENT BUDGET TO CONGRESS

By FRANK CORMIER
WASHINGTON (AP)—President Eisenhower today sent Congress a 77-billion-dollar budget forecasting a spending cut of nearly four billion dollars and a precarious surplus of 70 millions. He called it "a confident budget" that assumes a surge of prosperity.

Eisenhower said the budget aims to restrain inflationary forces that "cheaper our money and erode our savings." He also said it paves the way for a tax cut "in the reasonably foreseeable future."

No tax cuts were proposed for the present. In fact, to help achieve the first balanced budget in three years, the President is asking Congress to boost postal rates and gasoline taxes. He also wants some tax loopholes plugged. Any added postal revenues and proceeds from loophole plugging would increase budget receipts.

GAS TAX MONEY
Gas tax money would go into a separate trust fund which, Eisen-

hower said, would otherwise have to be replenished out of the budget.

Eisenhower said his fiscal blueprint, for all its emphasis on economy, promises to "increase our military effectiveness." The budget calls for hiking Defense department military spending by 145 million dollars but projects a cut of 462 millions in arms aid to other nations.

Democrats in Congress generally were critical of the budget. Republicans welcomed the plans for a budget balance and said the alternative is more inflation.

Sen. John Sparkman (D-Ala.) called the figures unrealistic, saying he found it hard to believe that Congress will increase gasoline taxes or postal rates.

House Speaker Sam Rayburn (D-Tex.) said he hopes for a balanced budget but added "I don't see much chance for it under the President's proposals."

For the Republicans, House GOP Leader Charles A. Halleck (R-Ind.) praised Eisenhower's budget,

which he said "will provide for a strong defense, for progress in meeting human needs, and for a prosperous and expanding economy."

TERMED IMPRACTICAL
Rep. John Taber (R-N.Y.), senior GOP member of the House Appropriations committee, also said he thinks government agencies can get along on what Eisenhower proposed, but Chairman Clarence Cannon (D-Mo.) of the Appropriations group called the budget impractical.

Secretary of the Treasury Robert B. Anderson indicated that if Congress boosts spending in the new budget, a tax increase—rather than a cut—would become a real possibility.

Anderson said revenue estimates for fiscal 1960 assume personal income in calendar 1959 will rise more than 20 billion dollars to 374 billion. He said the Treasury believes corporate profits will increase 10½ billion to 47 billion and that the gross national product

will advance nearly 20 billions to \$70 billion.

DEEPER IN RED
The President disclosed that in the current fiscal year, which ends June 30, the government's finances will be even deeper in the red than had been predicted. He said recession-hit revenues will fall \$12,577,000,000 short of matching indicated spending of \$80,871,000,000.

He said this whopping deficit—the biggest ever in peacetime—will make necessary another request to Congress for an increase in the legal ceiling on the national debt.

For fiscal 1960, Eisenhower forecast revenues of \$77,100,000,000—a rise of nearly nine billion dollars. He said tax receipts will be swelled to near-record levels by "a rapidly advancing economy."

By the President's calculations, present revenue laws alone wouldn't produce a balanced budget. He is asking Congress to pass

legislation that would increase budget receipts by 600 million dollars in fiscal 1960.

Eisenhower proposed raising 350 million by again boosting postal rates, which went up only last August. He will submit details on this and other revenue proposals later.

GAS TAX HIKE
The federal gasoline tax would be hiked to 4½ cents a gallon, from the present 3 cents. The added revenue—more than 600 million dollars the first year—would go into a special trust fund to finance roadbuilding. Eisenhower said the increase, designed to keep the trust fund in the black, should go into effect July 1 and expire on June 30, 1964.

Anticipating Democratic claims that he is being too thrifty, Eisenhower said his budget "responds to national needs, with due regard to urgencies and priorities, without being either extravagant or unduly limiting."

"We cannot, of course, under-

take to satisfy all proposals for government spending," he declared.

The President said his proposals "are realistic and can be achieved with the cooperation of the Congress." He conceded a lot also depends on "popular support and developments in our economy and in the world."

POSSIBLE SHORTCOMINGS
The ease with which the budget could slip into the red was pointed up by, among other things:

1. The distinct possibility that Congress may not go along with all recommendations for increasing revenue.
2. The obvious guesswork involved in estimating outlays for farm price supports. The subsidies this year are running more than two billion dollars above the total estimated a year ago.
3. As in all recent budgets, national security programs account for the lion's share—\$45,805,000,000 or nearly 60 per cent.

Of this total, Eisenhower has earmarked \$40,945,000,000 for the Defense Department, an increase of 145 millions. Security aspects of the atomic energy program account for an additional \$2,745,000,000—up 115 millions. Defense stockpiling and foreign military aid make up the remainder of the security expenditures.

ASSUMES EXTENSION
Incidentally, the budget assumes extension of the one-year suspension of U.S. nuclear tests which began last Oct. 31. No money is provided for weapons tests in fiscal 1960.

Both the Army and the Navy would spend a bit more under the new budget. Air Force outlays, however, would be reduced by 318 million dollars, to \$18,675,000,000. The Navy would spend \$11,596,000,000 and the Army \$9,264,000,000.

Eisenhower said outlays for missiles and research and develop-

ment will rise more than 800 million dollars.

Eisenhower told Congress he plans a 363-million-dollar cut in the mutual security program. Military assistance would be trimmed by 462 millions to \$1,850,000,000 but economic aid would edge up 79 millions to \$1,648,000,000.

In a related area, Eisenhower asked Congress to provide \$1,375,000,000 to increase the U.S. subscription to the International Monetary Fund. If Congress agrees, this sum will be added to spending in fiscal 1959—a big reason for the increased deficit predicted.

With the bigger deficit comes a bigger debt. The President said he wants the permanent debt ceiling lifted to 285 billion dollars, plus an even higher unspecified temporary increase. The ceiling is due to drop from 238 billions to 223 billions on July 1.

Eisenhower predicted the debt, now 253 billions, will be two billions higher at the start and finish of fiscal 1960.

In The Day's News

By FRANK JENKINS

This week, while Oregon is waiting it out to see who will be its next secretary of state, might be a good time to give some serious thought to what is going to be done at this session of the legislature about taxes.

The tax problem is always a serious one, but it is possible that in Oregon it is more serious this year than ever before. What is done, tax-wise, in Oregon this year can influence Oregon's future development decisively—for better or for worse.

Here is Oregon's situation, as of now:

It has a champagne appetite on a beer income. As Dr. Sly—the Princeton expert who was hired some time ago to prepare a report on how to keep Oregon's tax structure INDUSTRY-COMPETITIVE with the tax structures of other Western states—said in his first preliminary report, Oregon is a high service state.

Oregon people want these services. But they must be PAID FOR. They don't come for free. They must be paid for out of tax money. There is nowhere else for them to come from.

That fact must be kept clear in people's minds.

Oregon's present trouble is that it doesn't have enough to tax. It doesn't have enough industrial enterprises to pay property taxes, as well as income taxes.

It doesn't have enough job-holders to pay property taxes on their homes and income taxes on their taxable incomes.

And—

As Dr. Sly has properly warned—

If we upset the COMPETITIVE BALANCE—if we make the tax burden in Oregon out of proportion to the tax burden in other states—we won't get the added industrial development we need.

Southern Oregon, at least, has some very attractive industrial possibilities. Possibilities that could change our whole picture.

But—

If the tax balance is upset, these possibilities won't be realized. The industrial development we hope for will go to SOME OTHER STATE, whose tax structure is more attractive.

Taxes are a part of the cost of doing business. They have to be looked at when locations for new industrial enterprises are being considered.

If Oregon's tax structure is permitted to get out of balance with the tax structures of competing states, Oregon will suffer through lack of industrial development.

That's about the long and the short of it.

Foreign Aid Slate Sent To Congress

WASHINGTON (AP)—A foreign aid program emphasizing more economic and less military assistance was offered to Congress today.

The over-all cost of foreign aid for the year starting next July 1 will drop from this year's level, President Eisenhower said in his budget message. But he asked a higher appropriation for the years ahead.

Sig Granted Okay To Sign

By PAUL W. HARVEY Jr.

SALEM (AP)—The Oregon Legislature today unanimously voted to empower state Treasurer Sig Unander to issue state unemployment compensation and public welfare checks.

It took only 48 minutes from the time the bill was introduced by the House State and Federal Affairs Committee until the Senate took final action.

Gov. Mark Hatfield was expected to sign it into law quickly. The state found itself in a financial crisis because it had no secretary of state with power to issue warrants.

The state Supreme Court scheduled arguments for this afternoon to determine whether Howell Applegate Jr., Hatfield's appointee as secretary of state, or David O'Hara, a pointee of ex-Gov. Robert D. Holmes, is entitled to the office.

Unander's authority to issue the checks would expire under the bill on March 1.

At the same time, Sen. Monroe Sweetland (D-Milwaukie) introduced a bill that would let Douglas DeCew, supervisor of the state Division of Audits, issue checks for all claims against the state.

The Senate probably will act Tuesday on this bill, which is much broader than the bill passed today.

The Legislature took its quick action today to take care of the immediate emergency.

The authority in Sweetland's bill would expire on April 6, or when the Supreme Court decides the case.

Sen. Harry Elliott (R-Tillamook) told the House that when the Democrat-controlled Legislature sends it to Hatfield, it is tacit admission that Hatfield is legally governor. Some Democrats contend he isn't because he didn't resign first as secretary of state.

Rep. Vernon Cook (D-Gresham) shot back with a charge that "Hatfield is to blame for this mess. If he had followed the Constitution and resigned, or if he had brought a declaratory judgment suit in circuit court weeks ago, we wouldn't be in this trouble."

There remains a need, he said, to provide "the critical margin of weapons and equipment required by our allies who, with us, forge a strong shield against possible aggressors."

At the same time, he added, this country should help promote the economic stability and growth of less developed countries where war and suffering abound.

Eisenhower asked \$3,930,000,000 in new foreign aid money, including \$1,600,000,000 in military aid. Actual spending during the year, he said, is estimated at \$3,498,000,000, including \$1,850,000,000 for military assistance. Much of the spending, especially for military aid, comes from funds appropriated in previous years.

The spending total is 303 million dollars less than the estimate for the current year. A drop of 462 millions in arms aid spending is partially offset by a 79 million increase in grants, loans and other forms of economic assistance.

Eisenhower asked another 225 million dollars for use before June 30 and 700 millions for next year for long-term easy-payment loans under the Development Loan Fund. These would help underdeveloped nations improve their standard of living.

To help increase private investment in these countries, he asked new legislation to guarantee the investments against losses caused by expropriation, war, or inability to convert foreign currencies into American money.

Weather

FORECAST—Klamath Falls and vicinity: Partial clearing periods with snow flurries near mountains through Tuesday. Low tonight 16-24; high Tuesday 33-40.

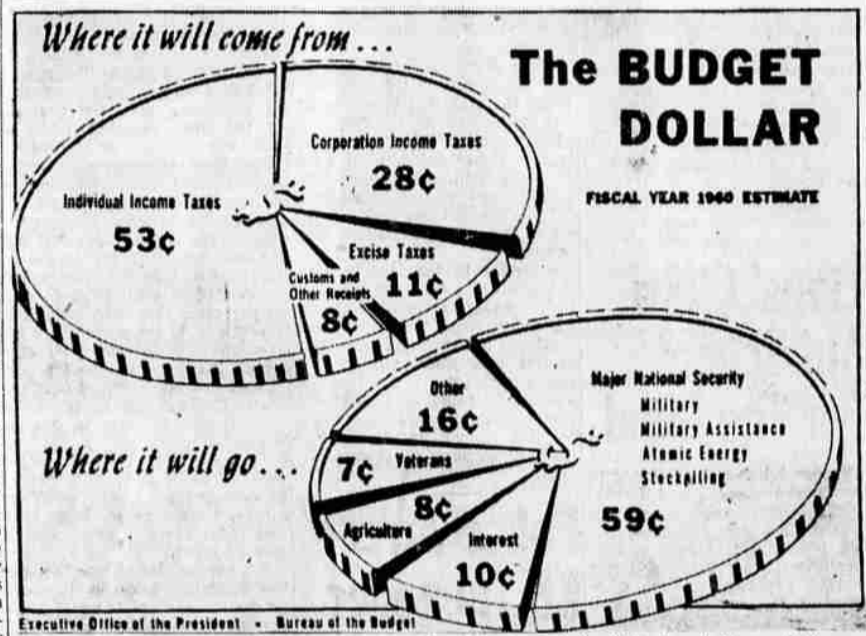
High yesterday 45
Low last night 25
Due to reasons of economy the USBR has discontinued the precipitation readings as formerly carried here. The readings will be resumed when arrangements now under way have been completed.

CRATER LAKE
High yesterday 35
Low last night 19
8 a.m. today 21
New snow 2 in.
Snow depth 33
Last year 106
Year before 57

It was snowing in the park when the rangers reported this morning and a light wind was blowing. Chains advised for travel over Highway 62 and required from Annie Springs to the rim. Sunday was a clear day with no new snow. Saturday travel brought 49 cars with 284 visitors, 109 of whom were skiers. On Sunday, 81 cars brought 325 visitors, 93 of whom were skiers.

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KPCA Growth Reviewed By Vice President Of Bank

Carl H. Nieberg, vice president of the Federal Intermediate Credit Bank of Spokane, speaking Saturday to a near capacity group of farmers in the Klamath Auditorium, reviewed the steady growth of the farmer-owned Klamath Production Credit Association and commended officials on management practices.

The annual meeting which brought some 400 farmers and their wives from Klamath and Lake counties in Oregon, Siskiyou and Modoc counties in California, also commemorated the 25th anniversary of the founding of the local KPCA.

Lee Holliday presided as president of the board of directors.

In brief resume of past accomplishments of the Klamath group, Holliday recalled that the association was started in 1934, with 25 members and \$20,000 capital. That year, farmer members borrowed \$163,000.

Membership in 1958 reached nearly 550 and loans totaling approximately six million dollars were made.

Several of those affiliated with the original organization were present including A. R. "Orb" Campbell, who served on the first board of directors and is still a member of the board.

Twenty-five year pins were presented to Mr. and Mrs. A. R. Campbell, Mr. and Mrs. John Taylor, Mr. and Mrs. Frank Tofell, Mr. and Mrs. W. R. Bell, Mr. and Mrs. Henry Gerber, George Stevenson, Martin Green and to W. E. "Bill" Hammond, now of Montague, for his mother, Mrs. E. M. Hammond in memory of the late Mr. Hammond, who served on the board for many years.

Others in the 25-year bracket not present were: Charles Klass, John Kandra, Lee Dixon and J. L. Truax.

In a reorganization period following the election of board members, M. A. Long, Lower Klamath Lake, was named president to succeed Lee Holliday, Klamath Falls, Incumbents, W. M. Williams, Henley, J. Randall Pope, Merrill, and Long were returned to posts on the board to serve with other holdovers, Holliday who automatically became vice president; A. R. Campbell, Klamath Falls; John Withers, Paisley, and Wilbur Harnsberger, Henley. Don Krider will continue as secretary-manager.

Agriculture's limited and unsatisfactory financing sources during the periods when credit was geared to industry and trade rather than to the needs of the farmer, were reviewed by Nieberg. He continued with the trend of farm loans through the period to 1912 when the federal government recognized the farmer's plight, sent commissions abroad to study fi-

BULLETIN

GALVESTON, Tex. (AP)—At least six persons were reported killed today in an explosion and fire at a home in the resort community of Clear Lake Shores, 35 miles northeast of here.

First reports said the dead included two adults and four children. The bodies were taken to League City.

Canine Rescues Sightless Man

GOSHEN, N.Y. (AP)—Victor Kowalski was sleeping in a downstairs bedroom while his wife and four children were away.

The barking of the family's pet dog awakened him. The second floor of his house was on fire.

Kowalski and the dog escaped to the street. Firemen extinguished the blaze.

Kowalski is blind.

Security Forces Arrest Strikers

BUENOS AIRES, Argentina (AP)—Argentine security forces today arrested more than 200 leaders of a crippling wave of strikes which the government calls a Communist-Peronist putsch.

The arrests were made in raids before dawn as President Arturo Frondizi was en route to the United States on a goodwill visit in which he is expected to bid for help to pull his country out of economic chaos.

One target was the Communist party's headquarters.

The crackdown was launched in an effort to break the mass walk-out which has paralyzed most industry and commerce and vital sectors of transport, such as domestic airlines, shipping, buses, street cars and taxis.

Soldier stood guard to keep subways and trains running.

Frondizi told reporters before departure Sunday that the government would take firm measures to deal with the strikers. He accused some unions of trying to take over the government. Die-hard followers of the exiled dictator, Juan D. Peron, have been egging workers toward open revolt.

Jose Maria Guido, chairman of the Senate, is acting president.

Interior Minister Alfredo Vitolo, a right-hand man for Frondizi in smashing previous strikes, commanded police and military forces in his role as acting minister of defense.

The government mobilized troops and recalled draftees born in 1937, who had just been released from the army, to bolster its hand.

The capital was in a virtual state of siege as orders went out to conscripts in the 24-26 age class to stand by for a call from the army "at any moment."

Frondizi was due in Charleston, S. C., today to start a two-week state visit. He arrives in Washington Tuesday to confer with President Eisenhower and other top officials.

Left at home to direct action against the strikers were Senate Chairman Jose Maria Guido, acting president, and Alfredo Vitolo, acting minister of national defense and interior minister.

Scattered violence Sunday pointed up the gravity of the situation.

One bomb went off in La Plata, 35 miles southeast of the capital, doing about \$1,000 in damage to the building housing the U. S. Information Service. Another exploded in the capital, damaging the home of Rogelio Frigerio, economic adviser to the president.

Frondizi told newsmen during a stopover in Lima his regime stands ready to take strong action to prevent Peronist labor leaders from starting an uprising.

Winema Mills Razed In Fire

MERRILL—A fire of undetermined origin completely destroyed the Winema Mills operation, located on the Great Northern right of way adjacent to Merrill and all contents of the building early Sunday morning. Loss was estimated by Ivan Kandra of Merrill, general manager, at approximately \$200,000. Nothing was saved from the flames. The mill was owned by Winema Elevators, Tulelake, which has been in operation for several years. Kandra said the loss is partially covered by insurance.

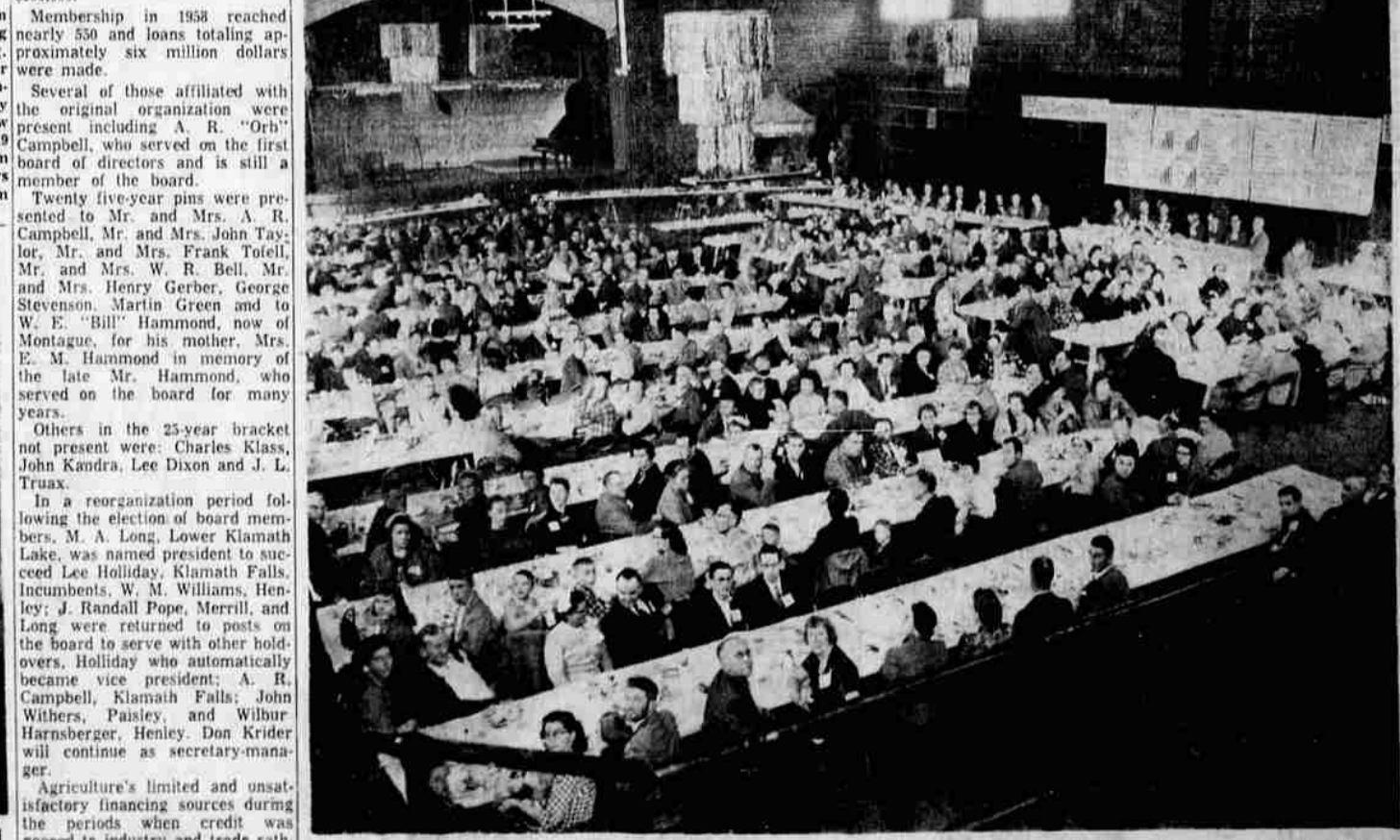
Flames were noted about 4 a.m. by the Rev. Lloyd Henderson whose home is nearby. Fire equipment from the Malin Fire Department, OTJ and Klamath County answered the call to assist the Merrill department.

The fire, however, had gained such headway in the brief time before the Merrill firemen could get into action that all that remained to be done was to police buildings and property in the vicinity of the fire. So intense was the heat that one unit of 2½ inch fire hose burst into flames before water could be run through from the hydrant. Large pieces of burning wood were blown two blocks distant during the height of the fire. One window was cracked and paint was blistered by heat on the Merrill fire truck. A. K. "Lucky" Felt is Merrill fire chief.

The original frame building was put up in 1939 by mill investors from Redmond, Oregon, and was operated as Merrill Mills, before being sold to Cargill Inc. Later additions increased the size and capacity of the business.



ONLY PILES of twisted metal remained of the Winema Mills at Merrill, an hour and a half after flames were first discovered by the Rev. Lloyd A. Henderson, pastor of the Merrill Presbyterian Church, who lives nearby. The fire alarm was turned in at 4 a.m. Sunday. Dal Reed, city employe, had made rounds of the town at 3 a.m. and there was no evidence of trouble at that time. The company safe was snaked outside the fire area with chains after the ruins cooled but damage to contents was not known. — Photo by Ruth Harris



MORE THAN 400 persons, farmers and their wives and guests, living in Klamath and Lake counties in Oregon and Siskiyou and Modoc counties in California, were present Saturday, January 17, to commemorate the 25th anniversary of the Klamath Production Credit Association of which they are members and to hear the association's annual report. Speaker at the meeting was Carl H. Nieberg vice president of the Federal Intermediate Credit Bank of Spokane. Twenty-five-year members were introduced and honored. A smorgasbord was followed by the business meeting. Members and guests were given courtesy parking tickets by the city. — Photo by Guderian