

HOUSTON METHOD OF REVISING TAXES STIRS OPPOSITION

Majority of Committees in Both Houses Against Boost in Incomes.

AGREE ON SEVEN POINTS

Main Trouble Centres Over Substitute for Excess Profits Levy.

SMOOT FOR LID ON WOOL

Urges Embargo on Imports—Tariff on Sales and Surplus Earnings Also Proposed.

This is the seventh of a series of articles published by THE NEW YORK HERALD detailing governmental conditions in Washington and outlining prospective legislation to remedy affairs. These articles will be published from day to day until the series is finished.

WASHINGTON, Dec. 10.—Here it is nearly as if it were possible to get after a week's session of Congress, a consensus of the views of the leaders who will have most to do in framing the Government's new fiscal policy. It does not reflect the views of the Finance Committee of the Senate or the Ways and Means Committee of the House on Secretary Houston's recommendations for increased taxes on certain specified commodities, because these must await hearings before the two committees. It may be said, however, that a majority of the members of both committees are opposed to the specific increases and new taxes recommended by Secretary Houston.

They also are opposed to any suggestion of increasing the tax on small incomes.

As THE NEW YORK HERALD has shown, the prospects for any general taxation or tariff revision measure during the short session are slight. The only relief legislation of a temporary character that appears to have a chance of going through is Senator Reed Smoot's proposal for an embargo on wool, cattle and cereals. There is serious opposition even to this. Many members of both houses will have to be convinced of its necessity before they will vote for it.

In the framing of a permanent fiscal policy Senators Penrose (Pa.), Smoot (Utah) and Watson (Ind.), and Representatives Fordney (Mich.) and Longworth (Ohio) probably will have more influence than any other group in the Congress.

Where Members Agree.

So far they are agreed on these things:

- 1. That the excess profits tax, which has been yielding upward of \$1,000,000,000 a year, must be repealed and substitute revenue provided.
2. That there should be no increase in any of the existing taxes to make up the deficit.
3. That the funded debt of the Government, \$25,000,000,000, should be extended over a period of from forty to sixty years.
4. That the floating debt of \$2,500,000,000 should be retired out of current revenues.
5. That the reestablishment of the protective tariff policy of the yield from \$350,000,000 to \$200,000,000 additional annual revenue.
6. That no extension of time can be allowed for the payment of taxes now due.
7. That many of the minor, but burdensome, taxes under the present law ought to be repealed, if possible.
8. There is no real opinion upon these fundamentals involved in the new policy. The main disagreement at this time appears over the nature of the substitute revenue producing factor that it is to take the place of the excess profits tax. Hearings have been arranged before both the Senate and House committees, and both are delayed with requests from individuals and organizations who want to be heard on the tax and tariff issues. Until these have progressed a definite programme is impossible of presentation.

Senator Penrose, chairman of the Finance Committee of the Senate, is opposed to the principle of the sales tax and favors instead a tax on undistributed profits. His method of distributing the funded debt over a period of years would be through sinking fund processes under the control of the Treasury Department rather than through the issuance of serial bonds.

Smoot for Sales Tax.

Senator Smoot is inclined to favor the general proposition of a sales tax, but is chiefly interested in establishing an embargo on the importation of wool as a temporary expedient for the relief of the wool growers of the country.

Senator Watson favors a tax on final sales and believes that it would produce at least \$1,000,000,000 annually, and, if he is convinced that the growers themselves, instead of the middle men, would benefit, would support the Smoot plan for an embargo on wool, cereals (wheat, oats and rye). But he favors a bond issue rather than the sinking fund method of retiring the funded debt.

Representative Fordney, chairman of the Ways and Means Committee of the House, is opposed to the Smoot embargo, but believes that the sales tax is the logical substitute for the excess profits tax.

Representative Longworth, while favoring the sales tax as an incentive toward thrift, believes that it would provide an inadequate amount and favors instead a tax on undistributed profits. Most consideration of a sales tax is based on the principle of a tax on the final sale. There is little sympathy expressed with the idea of a tax on every turnover, and the objections to this form of a levy are so universal that it may safely be said it will not get much consideration.

The outstanding fact in connection with the Congress's consideration of the final sales tax proposition is that no member seems at all sure about just how much it would annually produce. Estimates from supposedly expert sources, on the basis of 1 per cent.,

vary all the way from \$350,000,000 to \$1,250,000,000.

Representative Longworth discussing the subject to-day, said: "The final sales tax is infinitely better than the turnover tax, because in no case would it be paid more than once; and I think, in the majority of cases, could not be passed on to the consumer. But there are many objections to it."

Tax on Surplus Profits.

"At 1 per cent. the tax probably would not raise more than \$350,000,000. It would, therefore, be necessary if it were to be used to supply a deficiency caused by the elimination of the excess profits tax, to make the sales tax at least 3 or 4 per cent. That, in my judgment, is too high a tax to put on general consumption of necessities of life. I would be glad some day to see a small final sales tax made a part of our permanent revenue system. I believe it would have a tendency to encourage thrift and economy, but I don't think such a tax ought to be more than 1 per cent. and, of course, that would be entirely inadequate to the necessities of the present situation."

"Under existing conditions there seems to be but one practical substitute for the excess profits tax short of a radical increase in the rates of the income and corporation taxes. That is a tax on the undistributed profits of corporations."

Representative Longworth's proposal would be a tax of about 25 per cent. on the difference between what a corporation actually earns and what it distributes to its stockholders.

An average of the estimates that have been supplied to the Senate Finance Committee by recognized experts on economics and by officials of the Treasury Department would indicate that the revenue to be derived next year at current prices from a final sales tax of 1 per cent. would be about \$1,000,000,000, or approximately the amount produced by the excess profits tax. Chairman Fordney of the Ways and Means Committee of the House thinks this a fair estimate. Therein he differs from his colleague, Representative Longworth, also a member of the Ways and Means Committee.

The belief is pretty generally held among the Republican members of the Finance and Ways and Means committees that there should be no increase in the tax rates on individual incomes, such as Secretary Houston has suggested. The majority feel that the small salaried man or wage earner is being hit hard enough, and that any increase of the rates applicable to the surtaxes would tend only to encourage the practice of persons with large incomes investing in non-taxable securities and in that way segregating funds that might otherwise be employed in the legitimate expansion of industry.

Smoot for Wool Embargo.

The proposal to establish an embargo on the importation of wool, meat, hides, wheat, oats and rye may be pressed as an expedient. Senator Smoot is urging it particularly on behalf of the wool growers of the West, who feel that their market has been broken by the dumping of wool bought under foreign war contracts upon the domestic market.

The Smoot proposal, however, will meet the serious opposition of Representative Fordney, and it is extremely doubtful if it can be put into effect. The Senator from Utah will have to convince his colleagues that the wool growers and not the commission men are to reap whatever benefit accrues, and in addition, the effect of such an embargo upon the retail cost of clothing will have to be seriously considered.

Senator Smoot has figures to show that there are 800,000,000 pounds of wool, or enough to meet the ordinary demands of consumption for twenty months in the country. He estimates that 50 per cent. of this year's crop is still in the hands of the growers, and that the application of the embargo would not increase the price of clothing more than from 12 to 15 per cent., or approximately the advance that might be expected to follow the establishment of a protective tariff on the product.

Foreign Policy Considered—Daugherty and Harvey Also Call.

MARION, Ohio, Dec. 10.—President-elect Harding began his conferences here on the plan for an association of nations by a long talk to-day with Charles E. Hughes, Republican Presidential nominee four years ago.

The whole question of American relations with Europe was surveyed in detail. Afterward neither would reveal whether any conclusions were reached. Mr. Harding declining to talk about the subject and Mr. Hughes saying merely that "important questions" of foreign policy had been considered in a high-level, confidential way.

Mr. Daugherty declined to discuss the subject, but said he would not discuss Cabinet appointments without Senator Harding's permission.

Senator Harding's visit was unexpected and is the first he has made to the State capital since his return from his vacation trip. Few people knew he was in the city.

Mr. Daugherty denied published statements that he has accepted the post of Attorney-General in Senator Harding's Cabinet. He said he would not discuss Cabinet appointments without Senator Harding's permission.

Col. Harvey, who spent two weeks here while Mr. Harding was formulating the League of Nations policy in the campaign, may remain for several days at Harding headquarters here.

The fact that Mr. Hughes was the first Republican leader to be summoned into consultation by the President-elect revived rumors that he was being strongly considered for Secretary of State. There was no authority evidenced to support this report, however, during his visit here. At the end of the conference with Mr. Harding Mr. Hughes issued this statement:

"We have been talking over the important questions which are pressing for solution in connection with our foreign policies, questions which must be considered in the light of conditions which are constantly changing.

"The solution will, of course, be found in harmony with Senator Harding's statements in the course of the campaign. It was most gratifying to have had this interview."

It was learned to-day that Herbert Hoover, who had been expected to see

COX AND ROOSEVELT PLAN TO CONTROL ORGANIZATION

Democratic Leaders See Attempt to Keep McAdoo Out in Refusal to Accept Payment of Party's \$300,000 Debt.

Special Despatch to THE NEW YORK HERALD.

New York Herald Bureau, Washington, D. C., Dec. 10.

The meeting between Gov. Cox and Franklin D. Roosevelt, the defeated nominee for President and Vice-President on the Democratic ticket last night at Columbus, Ohio, produced more than an exchange of condolences in the eyes of Democratic politicians in Washington. It served in their opinion to further the programme now being made by these Democratic leaders to retain at all cost the direction of the Democratic organization in the hope that it will be of use to them in 1924.

While it was the first time the defeated nominees have met since election, the conference was one of a series which the Ohio Governor has been having with other prominent Democrats who stood by him through the campaign. There have been visits, too, from George White, chairman of the Democratic National Committee; Edwin H. Moore, Gov. Cox's pre-convention manager; and Timothy T. Ansberry of Washington, D. C., another of the Cox friends who make no secret of the fact that he is determined to remain the Democratic leader through the next four years so he may, if he desires, be in a better position to win the nomination in 1924. What the Cox people want to do is to prevent the organization now in force from coming under the influence

of too great a degree of William G. McAdoo, who at this early date looks like the chief contender for the nomination.

Control of the organization entails payment of approximately \$300,000 deficit which the Democratic National Committee had at the end of the campaign. Some McAdoo followers have offered to help finance the deficit, but the Cox people have been sceptical of the overtures. They have met them with the polite explanation that since Gov. Cox and Mr. Roosevelt, with Chairman White, really caused the deficit they should be allowed to make it up.

Those close to the Cox camp are not worrying about the money end of it. There are enough Cox followers, they are sure, capable of giving in a sum that size. A scheme is being worked out, therefore, where about \$300,000 in money is to be raised, with the remaining \$100,000 floated by a joint note to be signed by a hundred or so Democratic leaders. This note would remain a Democratic point of view.

Gov. Cox is of the opinion that nothing is to be gained by a hasty reorganization of the Democratic leadership. He believes the National Committee and its facilities should remain for the present, letting things work themselves out when the time arrives.

As soon as he leaves the office of Governor of Ohio Mr. Cox will go to Europe.

Mr. Harding to-morrow, will not reach Marion until Sunday.

COLUMBUS, Ohio, Dec. 10.—President-elect Harding motored to Columbus in a driving rain this afternoon to play a game of golf at a country club and to confer with Harry M. Daugherty, Charles E. Hughes, Col. Harvey and former Senator Theodore Barton.

Following luncheon and a game of golf, Senator Harding and Col. Harvey returned to Marion. Senator Barton went to Cleveland, Mr. Hughes went to New York and Mr. Daugherty left for Washington.

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U. S. FACING DEFICIT OF \$1,229,981,765

Continued from First Page.

which brings the deficit, or amount which must be raised in some manner, to \$679,981,765.

Still More to Reveal.

But even this gigantic deficit which requires immediate liquidation does not disclose the full truth. There must be added to this whatever sum is necessary to make good deficits growing out of Government operation of railroads, estimated by the President in his annual message at \$50,000,000, bringing the total deficit immediately confronting us to \$1,229,981,765.

This is the situation, and it is the deficit that meets our immediate gaze. But it is not the end of our difficulties. "The Secretary in his annual report directs our vision along a vista including two fiscal years or two half calendar years from January 1 next. He leaves us with a deficit on June 30, 1921, of \$2,000,000,000, and on June 30, 1922, of nearly \$1,500,000,000.

It is worthy of note that the Secretary bases his estimate of the deficit which will exist on June 30 1922, on the assumption that our revenues will be \$4,859,550,000, or nearly \$5,000,000,000.

"I do not wish to take a gloomy view of our industrial prospects, but if 1921 as a whole is not a most decided improvement over the last two months of 1920 the revenues will not be half of that sum.

"Now, with these great deficits both near and far staring us in the face we are striving to find some way by which we can relieve the agricultural situation. We hope for some kind of relief through revival of activities of the War Finance Corporation.

"While wheat and wool are pouring into this country in unprecedented volume, driving down the price of the American product to half the cost of producing it, we are about to ask this War Finance Corporation in some way to finance the bankrupt countries of Europe, so we can export our wheat to them.

Sees Unbusinesslike Acts.

"If we were business men and would follow our business instinct we would at least close the intake to our tank while we were struggling to empty the tank through the spigot.

"But that hereafter. We are now considering the financial situation. What the farmer needs is money to live on until he can get a half living price for his products, while the country bank needs his money to loan to this farmer.

"In my State twenty-three banks have been closed during the last three weeks. These banks were all, with one exception, I think, in a section of the country where there have been crop failures, whole or nearly whole, for three or four years. During each of these years the

CREMATED WITH PET'S PHOTO.

Louis Sumner Brown's Last Wish Observed.

BOSTON, Dec. 10.—A dying wish of Louis Sumner Brown, microphotographer at the Massachusetts General Hospital, who was known nationally in that science, was observed to-day when the likeness of his pet dog Vic was cremated with his body. The dog died recently.

Funeral services for Mr. Brown had been held earlier in the day at the Bulfinch Place Church.

SHRINERS PICK SAVANNAH.

LOS ANGELES, Dec. 10.—Imperial Potentate Ella L. Garretson of the Order of the Mystic Shrine to-day announced that the annual convention of the Shriner will be held at Savannah, Ga., next year, instead of Atlantic City as previously intended. The convention date will be changed from June to May.

HEARN advertisement for Christmas Cards and Calendars. Text: 'To our increasingly large clientele of business women and to all our patrons whose shopping hours are limited. We announce that beginning To-day, (Saturday) and to Dec. 23, inclusive, Store will be open until Six o'Clock. IN this great, rapidly growing business of ours, there are three separate interests to be considered. There are the Customers who make our success; our Co-workers to whom a Co-operative Sharing system gives incentive to keep the wheels of business turning; and the Concern who work for the mutual advantages of all three parties. It is therefore with the pleasant consciousness of serving everybody's interest impartially that we have arranged to keep open this additional hour during the crowded days of Christmas Shopping. CHRISTMAS CARDS AND CALENDARS. DUTTON'S 681 Fifth Avenue.

banks had to extend their credits over former years until they themselves can secure further credits to mine Reserve banks. Many of the banks would have been closed except for assessments on stockholders.

"Where can we get this money? The testimony of Mr. Harding, governor of the Federal Reserve Board, before the Committee on Agriculture, is that the banks have extended their credits as far as they can safely; that if they were further to extend those credits and present conditions should continue it might endanger our whole banking system.

"Now if these banks cannot supply associate banks with money sufficient to tide over agricultural depression, how can these same banks furnish the money to foreign people to buy these farm products? For, after all, what these farmers must have and what these country banks must have is money and the credit that is not backed by cash somewhere in the background is not a very reliable credit.

"This is no time to even dream of new governmental projects which will call for Treasury disbursements."

as the agricultural situation is concerned the real and sensible thing to be done, is to close the intake pipe, stop importations and give the American farmer exclusively the American market so long as he can supply that market at living prices.

"But the principal object of this address is to reach the ear of those who are asking favors of the Government. We want every man and every corporation that must be called on to remit taxes to look not alone on his own discomforts, but also on his country's dire needs. We want the sidler who is asking for immediate action on a bonus bill to exercise patience and forbearance and to understand the grave financial difficulties that confront Congress. And we want our appropriation committees to cut to the bone and keep appropriations down to the limit of the bare necessity of the Government.

"This is no time to even dream of new governmental projects which will call for Treasury disbursements."

DISABLED SHIP LOSES TOW.

East Indian Radios the West Waunakee Again is Adrift.

BOSTON, Dec. 10.—The steamship East Indian sent word by radio tonight that the tow line by which she was attempting to bring into port the steamship West Waunakee had parted and asked that other vessels stand by to assist in picking up the tow. The message, which said the weather was foggy and the sea rough, gave the position as latitude 42.30, longitude 63.47, or about fifty miles south-southeast of Cape Sable.

The West Waunakee, bound from Antwerp for Baltimore, ran out of fuel oil a few days ago and was taken in tow by the Collinsworth, which latter was forced by shortage of oil in her own tanks to abandon the tow and race for this port. The East Indian, bound from Hamburg for Philadelphia, attached a line to the West Waunakee soon afterward.

The "Greater Newspaper" The Book The Kaiser Suppressed BISMARCK'S MEMOIRS A History-Making Revelation for Which the World Has Waited for Twenty Years



For many years the third volume of the Memoirs of Prince Otto von Bismarck has lain, in printed form, by thousands, in the warehouse of its German publisher, withheld from the eyes of the world—suppressed by the former Kaiser for personal and political reasons that the then young Emperor considered of the highest importance.

Numerous efforts have been made to release the book, but as often powerful interests, through court injunctions and otherwise, have kept its pages from public view. Only now, after more than twenty years of suppression, has the seal of mystery been broken.

This frantically guarded book is still unpublished, but a prominent German has read its pages and has written what the book contains.

Its story discloses that the Iron Chancellor, writing as an unwilling prophet, twenty years before the murders of Sarajevo, foresaw the world war and fixed the culpability on William II; he considered the Russo-German treaty of supreme importance to the peace of not only Germany but of all Europe; he tells of bitter clashes with his power loving sovereign, of his numerous resignations and his final release from the high office conspicuously held for so many years, of his being put out of his palace by the Kaiser, who had turned against him, and he reveals secrets of Russian diplomacy that, in one instance, astounded the Kaiser himself.

Your first chance to learn the details of the book's suppression and the full story of what the book contains will be presented through the columns of

THE NEW YORK HERALD To-morrow (Sunday), December 12 Over 200,000 Circulation