

# How to Raise Revenue to Meet Expenses; Stern Rebuke for the Disloyal Citizens

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are few measures you could adopt which would more serviceably clear the way for

## Where Will Money Come From to Carry Out the Defense Program?

"The plans for the armed forces of the nation which I have outlined, and for the general policy of adequate preparation for mobilization and defense, involve of course very large additional expenditures of money—expenditures which will considerably exceed the estimated revenues of the government. It is made my duty by law, whenever the estimates of expenditure exceed the estimates of revenue, to call the attention of the congress to the fact and suggest any means of meeting the deficiency that it may be wise or possible for me to suggest. I am ready to believe that it would be my duty to do so in any case; and I feel particularly bound to speak of the matter when it appears that the deficiency will arise directly out of the adoption by the congress of measures which I myself urge it to adopt. Allow me, therefore, to speak briefly of the present state of the treasury and of the fiscal problems which the next year will probably disclose.

### Condition of the Treasury

"On the thirtieth day of June last there was an available balance in the general fund of the treasury of \$194,176,678. The total estimated receipts for the year 1916, on the assumption that the emergency revenue measure passed by the last congress will not be extended beyond its present limit, the thirty-first of December, 1915, and that the present duty of one cent per pound on sugar will be discontinued after the first of May, 1916, will be \$750,365,000. The balance of June last and these estimated revenues come, therefore, to a grand total of \$744,541,678. The total estimated disbursements for the present fiscal year, including twenty-five millions for the Panama canal, twelve millions for probable deficiency appropriation, and \$50,000 for miscellaneous debt redemptions, will be \$753,881,000; and the balance in the general fund of the treasury will be reduced to \$30,660,678. The emergency revenue act, if continued beyond its present time limitation, would produce, during the half year then remaining, about forty-one millions. The duty of one cent per pound on sugar, if continued, would produce during the two months of the fiscal year remaining after the first of May, about fifteen millions. These two sums, amounting together to fifty-six millions, if added to the revenues of the second half of the fiscal year, would yield the treasury at the end of the year an available balance of \$76,644,678.

### Estimates of Additions

The additional revenues required to carry out the program of military and naval preparation of which I have spoken, would, as at present estimated, be for the fiscal year 1917, \$63,800,000. These figures, taken with the figures for the present fiscal year which I have already given, disclose our financial problem for the year 1917. Assuming that the taxes imposed by the emergency revenue act and the present duty on sugar are to be discontinued, and that the balance at the close of the present fiscal year will be only \$30,660,678, that the disbursements for the Panama canal will again be about twenty-five millions, and that the additional expenditures for the army and navy are authorized by the congress, the deficit in the general fund of the treasury on the thirtieth of June, 1917, will be nearly two hundred and thirty-five millions. To this sum at least fifty millions should be added to represent a safe working balance for the treasury, and twelve million to include the usual deficiency estimates in 1917; and these additions would make a total deficit of some two hundred and ninety-seven millions. If the present taxes should be continued throughout this year and the next, however, there would be a balance in the treasury of some seventy-six and a half millions at the end of the present fiscal year, and a deficit at the end of the next year of

## Disloyal Element of Citizenship Most Serious Menace Present

"I have spoken to you today, gentlemen, upon a single theme, the thorough preparation of the nation to care for its own security and to make sure of entire freedom to play the impartial role in this hemisphere and in the world which we all believe to have been providentially assigned to it. I have had in my mind no thought of any immediate or particular danger arising out of our relations with other nations. We are at peace with all the nations of the world, and there is reason to hope that no question in controversy between this and other governments will lead to any serious breach of amicable relations, grave as some differences of attitude and policy have been and may yet turn out to be. I am sorry to say that the gravest threats against our national peace and safety have been uttered within our own borders. There are citizens of the United States, blind to admit, born under other flags but welcomed under our generous naturalization laws to the full freedom and opportunity of America, who have poured the poison of disloyalty into the very arteries of our national life; who have sought to bring the authority and good name of our government into contempt, to destroy our industries wherever they thought it effective for their vindictive purposes to strike at them, and to debase our politics to the uses of foreign intrigue. Their number is not great as compared with the whole number of those sturdy hosts by which our nation has been enriched in recent generations out of virile foreign stocks; but it is great enough to have brought deep disgrace upon us and to have made it necessary that we should promptly make use of processes of law by which we may be purged of their corrupt distempers. America never witnessed anything like this before. It never dreamed it possible that men sworn into its citizenship, men drawn out of great free stocks such as supplied some of the best and strongest elements of that little, but how heroic, nation that in a high day of old staked its very life to free itself from every entanglement that had darkened the fortunes of the older nations and set up a new standard here,—that men of such origins and such free choices of allegiance would ever turn in malign reaction against the government and people who had welcomed and nurtured them and seek to make this proud country once more a hotbed of

the great policies by which we wish to make good, now and always, our right to lead in enterprises of peace and good will and economic and political freedom.

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only some fifty millions, or reckoning in sixty-two millions for deficiency appropriations and a safe treasury balance at the end of the year, a total deficit of some one hundred and twelve millions. The obvious moral of the figures is that it is a plain counsel of prudence to continue all of the present taxes or their equivalents, and confine ourselves to the problem of providing one hundred and twelve millions of new revenue rather than two hundred and ninety-seven millions.

### New Taxes Proposed

"How shall we obtain the new revenue? We are frequently reminded that there are many millions of bonds which the treasury is authorized under existing law to sell to reimburse the sums paid out of current revenues for the construction of the Panama canal; and it is true that bonds, to the amount of approximately \$22,000,000 are now available for that purpose. Prior to 1913 \$18,313,200 of these bonds had actually been sold to recoup the expenditures at the isthmus; and now constitute a considerable item of the public debt. But I, for one, do not believe that the people of this country approve of postponing the payment of their bills. Borrowing money is short-sighted finance. It can be justified only when permanent things are to be accomplished which many generations will certainly benefit by and which it seems hardly fair that a single generation should pay for. The objects we are now proposing to spend money for cannot be so classified, except in the sense that everything wisely done may be said to be done in the interest of posterity as well as in our own. It seems to me a clear dictate of prudent statesmanship and frank finance that in what we are now, I hope, about to undertake we should pay as we go. The people of the country are entitled to know just what burdens of taxation they are to carry, and to know from the outset, now. The new bills should be paid by internal taxation.

"To what sources, then, shall we turn? This is so peculiarly a question which the gentlemen of the house of representatives are expected under the constitution to propose and answer to that you will hardly expect me to do more than discuss it in very general terms. We should be following an almost universal example of modern governments if we were to draw the greater part or even the whole of the revenues we need from the income taxes. By somewhat lowering the present limits of exemption and the figure at which the surtax shall begin to be imposed, and by increasing, step by step throughout the present graduation, the surtax itself, the income taxes as at present apportioned would yield sums sufficient to balance the books of the treasury at the end of the fiscal year 1917 without anywhere making the burden unreasonably or oppressively heavy. The precise reckonings are fully and accurately set out in the report of the secretary of the treasury which will be immediately laid before you.

### Other Sources to Be Tapped

"And there are many additional sources of revenue which can justly be resorted to without hampering the industries of the country, or putting any too great charge upon individual expenditure. A tax of 1 cent per gallon on gasoline and naphtha would yield, at the present estimated production, \$10,000,000; a tax of 50 cents per horse power on automobiles and internal explosion engines, \$15,000,000; a stamp tax on bank checks, probably \$18,000,000; a tax of 2 cents per ton on pig iron, \$10,000,000; a tax of 2 cents per ton on fabricated iron and steel, probably \$10,000,000. In a country of great industries like this it ought to be easy to distribute the burdens of taxation without making them anywhere bear too heavily or too exclusively upon any one set of persons or undertakings. What is clear is, that the industry of this generation should pay the bills of this generation.

### These Are Disloyal

"I wish that it could be said that only a few men, misled by mistaken sentiments of allegiance to the governments under which they were born, had been guilty of disturbing the temper and principles of the country during these days of terrible war, when it would seem that every man who was truly an American would instinctively make it his duty and his pride to keep the scales of judgment even and prove himself a partisan of no nation but his own. But it cannot. There are some men among us, and many resident abroad who, though born and bred in the United States and calling themselves Americans, have so forgotten themselves and their honor as citizens as to put their passionate sympathy with one or the other side in the great European conflict above their regard for the peace and dignity of the United States. They also preach and practice disloyalty. No laws, I suppose, can reach corrupsions of the mind and heart; but I should not speak of others without also speaking of these and expressing the even deeper humiliation and scorn which every self-possessed and thoughtfully patriotic American must feel when he thinks of them and of the discredit they are daily bringing upon us.

"While we speak of the preparation of the nation to make sure of its security and its effective power we must not fall into the patent error of supposing that its real strength comes from armaments and mere safeguards of written law. It comes, of course, from its people, their energy, their success in their undertakings, their free opportunity to use the natural resources of our great home and of the lands outside our continental borders which look to us for protection, for encouragement, and for assistance in their development; from the organization and freedom and vitality of our economic life. The domestic questions which engaged the attention of the last congress are more vital to the nation in this its time of test than at any other time. We cannot adequately make ready for any trial of our strength unless we wisely and promptly direct the forces of our laws into these all-important fields of domestic action. A matter which it seems to me we should have very much at heart is the creation of the right instrumentalities by which to mobilize our economic resources in any time of national necessity. I take it for granted that I do not need your authority to call into systematic consultation with the directing officers of the army and navy men of recognized leadership and ability from among our citizens who are thoroughly familiar, for example, with the transportation facilities of the country and therefore competent to advise how they may be co-ordinated when the need arises, those who can suggest the best way in which to bring about prompt cooperation among the manufacturers of the country, should it be necessary, and those who could assist in bringing the technical skill of the country to the aid of the government in the solution of particular problems of defense. I only hope that if I should find it feasible to constitute such an advisory body the congress would be willing to vote the small sum of money that would be needed to defray the expenses that would probably be necessary to give it the clerical and administrative machinery with which to do serviceable work.

### Mobilization of Factories

"What is more important is, that the industries and resources of the country be entitled to know just what burdens of taxation they are to carry, and to know from the outset, now. The new bills should be paid by internal taxation.

### Let Us Keep Awake

"Many conditions about which we have repeatedly legislated are being altered from decade to decade, it is evident, under our very eyes, and are likely to change even more rapidly and more radically in the days immediately ahead of us, when peace has returned to the world and the nations of Europe once more take up their tasks of commerce and industry with the energy of those who must bestir themselves to build anew. Just what these changes will be no one can certainly foresee or confidently predict. There are no calculable, because no stable, elements in the problem. The most we can do is to make certain that we have the necessary instrumentalities of information constantly at our service so that we may be sure that we know exactly what we are dealing with when we come to act, if it should be necessary to act at all. We must first certainly know what it is that we are seeking to adapt ourselves to. I may ask the privilege of addressing you more at length on this important matter a little later in your session."

### Problem of Transportation

"In the meantime may I make this suggestion? The transportation problem is an exceedingly serious and pressing one in this country. There has been from time to time of late been reason to fear that our railroads would not much longer be able to cope with it successfully, as at present equipped and co-ordinated. I suggest that it would be wise to provide for a commission of inquiry to ascertain by a thorough canvass of the whole question whether our laws as now framed and administered are as serviceable as they might be in the solution of the problem. It is obviously a problem that lies at the very foundation of our efficiency as a people. Such an inquiry ought to draw out every circumstance and opinion worth considering and we need to know all sides of the matter if we mean to do anything in the field of federal legislation.

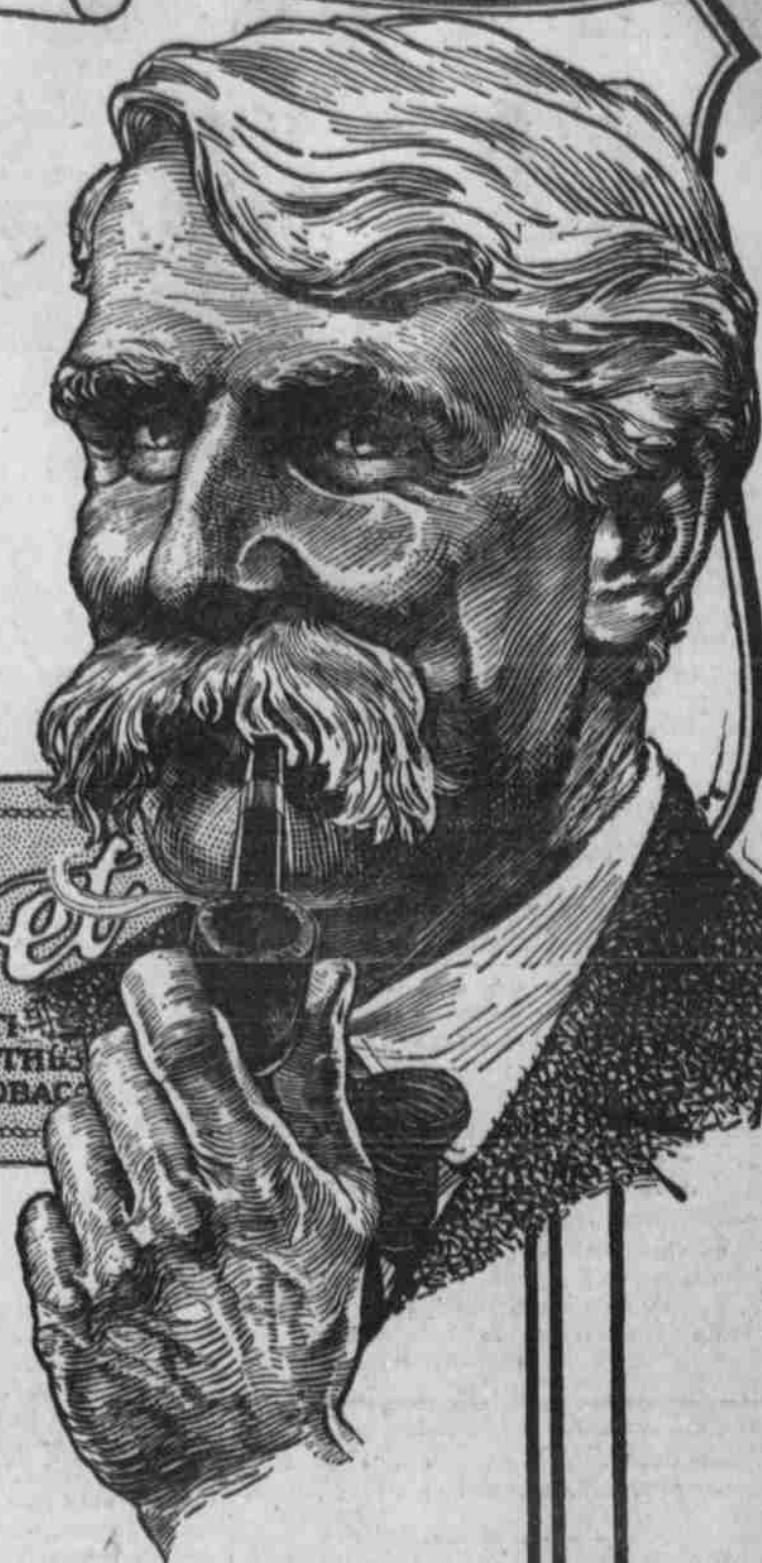
"No one, I am sure, would wish to take any backward step. The regulation of the railways of the country by federal commission has had admirable results and has fully justified the hopes and expectations of those by whom the policy of regulation was originally proposed. The question is not what should we undo? It is, whether there is anything else we can do that would supply us with effective means, in the very process of regulation, for bettering the conditions under which the railroads are operated and for making them more useful servants of the country as a whole. It seems to me that it might be the part of wisdom, therefore, before further legislation in this field is attempted, to look at the whole problem of co-ordination and efficiency in the full light of a fresh assessment of circumstances and opinion, as a guide to dealing with the several parts of it.

### Service is the Watchword

"For what we are seeking now, what in my mind is the single thought of this message, is national efficiency and security. We serve a great nation. We should serve it in the spirit of its peculiar genius. It is the genius of common men for self-government, industry, justice, liberty and peace. We should see to it that it lacks no facility of vision or vigor of law, which is sufficient to play its part with energy, safety, and assured success. In this we are no partisans but heralds and prophets of a new age."

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