

## THE FRONTIER

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### Economic Highlights

Ask a dozen economists this question: "How great a debt can the federal credit stand?" The chances are that you will get a dozen different and opposed answers.

Not so many years ago financial authorities fearfully forecast that the national debt would soon reach the \$10,000,000,000 mark, said that this would mean the beginning of a collapse in the nation's credit. Today the debt has passed \$30,000,000,000, and some authorities believe that it will reach \$50,000,000,000 before many more years have passed. Yet little fear is now expressed as to solvency of our government. Treasury officials say that \$50,000,000,000 would not be an excessive debt for so rich a country.

The President's budget message was predicted upon the theory that it will be possible to achieve a smaller deficit in the 1936 fiscal year than in the 1935. Federal bookkeeping is done under a sort of dual system. One set of books takes care of the regular budget. Another involves emergency expenditures which, in the view of the Administration, are much like war expenses and so cannot be carried on the books as normal spending. This system has led to considerable confusion of the public which has been told, on the one hand, that the government is cutting costs, while on the other hand, it sees the deficit and taxes constantly rising.

Estimated receipts for the 1936 fiscal year regular budget total \$3,420,000,000—an advance of \$299,000,000 over 1935. Estimated expenses are \$3,302,000,000, a rise of \$54,000,000. This leaves an encouraging estimated surplus, so far as regular income and spending is concerned, of \$120,000,000.

The next step, however, concerns the emergency budget. The Administration plans to spend some \$4,582,000,000 for extraordinary purposes, as opposed to an income of \$570,000,000 which will come from various AAA activities. This leaves a deficit of \$4,012,000,000. As a result, total expenditures for regular and extraordinary budgets will be \$7,884,000,000, a drop of \$124,000,000 from 1935. Total receipts from all sources will be \$3,992,000,000, a rise of \$280,000,000 from the preceding fiscal year. The total net deficit will thus be \$3,892,000,000 (\$404,000,000 less than the 1935 deficit) which must be added to the soaring national debt, bringing it close to the \$35,000,000,000 mark.

There is the budget situation in a nut shell. Great as the deficit is, the President and many financial experts say it is "well within the nation's resources." It remains a fact, however, that the national debt must eventually be paid—and that in the meantime hundreds of millions a year must be spent for interest. All of this money has to be raised by taxation, and the greater the debt, the greater the burden on industry—and the less money it has for other purposes. Nineteen-thirty-six interest expenditures, for example, will come to the neat sum of \$875,000,000, a jump of \$40,000,000 over the 1935 fiscal term.

To get away from the economic aspects of the budget, one of its most interesting phases is the proposed expenditure of \$900,000,000 for national defense. If Congress authorizes this expenditure, as it probably will, 1936 will witness the greatest "peace-time war expenses" in the nation's history. The President announced these figures without comment—it is obvious, however, that they are principally made necessary by Japan's abrogation of the naval treaty. Two years from now, when the treaty expires, Japan will start to build naval craft on a grand scale, and the United States must keep up with her. At the present time, our naval strength is well below our treaty limit. This tonnage deficit will be

made up, for the most part, within the next two years.

Business is quiet since the holiday spurt and reports are neither encouraging nor discouraging. There have been a few small advances in various lines, while no industry has fallen back. STEEL output recently registered a gain, with the outlook good for increased demand. TRADE has been improving, and a late week showed a 16 per cent advance in bank debits outside of New York City. ELECTRIC POWER shows a slight gain and tends steadily upward. BUSINESS ACTIVITY as a whole is getting better.

Big industries, in company with government, are anxiously awaiting the Supreme Court's decision on the gold forfeiture cases, which will be handed down early in February. If the court decides that holders of gold bonds and gold certificates must be paid on the basis of the old 100-cent dollar, as specified in the bonds held by individuals who loaned their money to the government and many industries, instead of the present 59.4 dollar, the nation's public and private debts will show a paper rise of more than \$60,000,000,000. Attitude of the Justices, during the argument of the cases, frankly worried Administration officials.

### NEBRASKA NEWS OF STATE AFFAIRS

(Continued from page 1.)

Another liquor bill calling for state liquor stores and providing for sale by the drink under certain conditions was introduced last week by democrats, Representative John Havekost of Hooper and J. Frank Summers of Beatrice. This bill makes no provision for local option, however, while Wachtler's bill does.

The bill by Wachtler would return license fees collected by the state, back to the county or city where the license was issued, while placing a 25 per cent gross profits tax on liquor for the benefit of the state general fund, and would create a state monopoly for regulating distribution and sale of liquor of all types. The other bill would give 50 per cent of net profits from licenses and state store sales to the state general fund, 20 per cent to county old age pension funds and 30 per cent to city and county general funds.

A system of state distilleries is proposed in a third bill introduced by Representative Joe Steele (R) of Kimball. Steel, who is a dry, would place the distilleries under the control and management of the state department of agriculture and inspection. All manner of alcoholic beverages would be manufactured for sale both wholesale and retail. The wholesale feature would pertain also to sale to other states and warehouses would be established both in Nebraska and in large centers of population over the country.

R. P. Hutton, state superintendent of the Nebraska anti-saloon league, declares that the dries will concentrate their strength on securing county option. The state administration is advocating local option. The dries also want an enabling law providing for an annual election in November to allow counties to decide each year on the matter of issuing licenses, while they desire a certain portion of liquor license fees set aside for a publicity campaign against the evils of drink, while liquor ads would be prohibited by law.

Governor Cochran has caused to be introduced in the legislature five bills calculated to solve the problem of bonding the state treasurer. These bills meet demands of bonding companies by raising the premium rate on the treasurer's bond from one-fourth to one-half of one per cent per year, providing burglary insurance on all securities in the state vaults, requiring a \$10,000 surety bond on the treasurer's bond clerk and \$1,000 to \$10,000 on other treasury employees, an annual audit of the treasurer's office and removal of the treasurer's liability if banks holding state deposits refuse payment of interest required by law (2 per cent less one per cent service charge.) Meanwhile there was still contention as to whether George Hall was the state treasurer in actuality when the legislature convened this week.

Other highlights of the legislature include the introduction and progress of a measure by Governor Cochran to knock out the gold clause in contracts in Nebraska; a bill by Senator Neeland of Hemingford to lessen the responsibilities of the office of state land commissioner by making all five members of the board of educational lands and funds equally responsible for its acts and policies, and creating the office of a paid secretary to act as the board's executive agent; an enabling act introduced in the senate to allow Nebraska cities and

towns to build new electric light plants by pledging future earnings of the plant; a bill imposing a stiff graduated occupation tax on chain stores; a bill introduced by Representative John Washington Porter (D) of Albion, designating the song "Nebraska" as the state's official song; a resolution adopted by the senate calling for immediate payment of the soldier bonus by congress; the reporting out by the house privileges and elections committee of Representative Charles R. Herrick's bill for non-partisan election of all elective county and township officials; a house resolution memorializing congress to cooperate 100 per cent in opening free bridges across the Missouri river at South Sioux City, Omaha, Blair, Plattsmouth and Nebraska City.

Frank B. O'Connell has been re-appointed by Governor Cochran as chief game warden and secretary of the state game and park commission. O'Connell is a republican. . . . The governor also appointed a state planning commission similar to one which had previously existed in the state. The board is to co-ordinate public works in Nebraska in the future.

Gasoline tax collections in Nebraska last year totaled \$8,501,845, or \$900,000 more than in 1933.

Recent claims totaling \$40,680 have been filed with the state auditor and are being called to the attention of the legislature. The largest claim is \$26,250 brought by a Dawes county man and based on an alleged collision last fall of his truck with a vehicle owned by the state highway department.

The railway commission has presented to the governor its budget for the next biennium, totaling \$11,080 or \$8,000 higher than the appropriation two years ago. Commissioner Bollen caused a furore last week when he suggested that the legislature pass a bill requiring all members of the railway commission to be lawyers.

Who's who in the legislature (continued from last week:) Senator Green, Sidney, chairman of the accounts and expenditures committee; Senator Brodecky, Howells, chairman agriculture, livestock and grazing committee; Senator Neeland, Hemingford, chairman education committee; Senator Pederson, Guide Rock, chairman employees committee; Senator Callen, Odell, chairman finance committee; Senator Bullard, McCook, chairman insurance committee; Senator McMahon, Omaha, chairman labor committee; Senator Dafo, Tecumseh, chairman judiciary committee; Senator O'Brien, Grand Island, chairman railroads committee; Senator Regan, Columbus, chairman revenue and taxation committee; Senator Warner (R), Waverly, dean of the legislature and leader of senate republicans. Unless otherwise designated these legislators are democrats and besides chairmanships named, they occupy other important committee positions.

Representative Dugan, Omaha, chairman judiciary committee; Representative Lusinski, Platte Center, democratic floor leader and important committeeman; Representative Cushing (R), Ord, minority floor leader; Representative Nickles, Murray, chairman finance committee; Representative Webber, Hildreth, chairman employees committee; Representative Burr, Juniata, chairman labor committee; Representative Stringfellow, Oakdale, chairman roads committee; Representative Osterman, Central City, chairman revenue and taxation committee.

#### WINTER ITEMS!

I solved my winter starting troubles at Gambles—Installed a Super-Active Battery and put in Tiger Winter Oil—A Pennsylvania Base Oil that pours at 25 degrees below—And do those 51 plates have zip, \$6.79 exchange.

#### NATIONAL AFFAIRS

By Frank P. Litschert

Congress is now in session and the nation still survives—without inflation or any of the dire things which have been predicted. At least it survives up to this time, altho there is still plenty of opportunity for mischief, if anybody has it in mind.

In spite of the overwhelming New Deal victory in the last congressional election there are many wise political investigators who believe that this is going to be a fairly conservative Congress, one much more conservative than could have been expected a few weeks ago. They point to the fact that the Republicans, altho hopelessly in the minority, form a pretty conservative bloc of their own. It has been a long time since the Republican representation in Congress has been as conservative as it is today. Only a few of the members labelled

Republicans were elected on radical platforms. The so-called radicals either joined the New Deal party or went in on third party labels. There are a few exceptions of course, but they are pretty few this year. Of course, the New Dealers are greatly in the majority and here we must look for a lot of political irregularity if we are to find it at all. Still some of those who have analyzed the situation say that a great many conservative Democrats were elected and that the President, with his great prestige, will be able to block a lot of so-called radical legislation if he chooses to do so.

It would seem that a great many battles are to be fought between the spenders and those who are said to be thinking about a balanced budget. This is not surprising. In nearly every state and congressional district, one of the big issues raised by the majority was the ability of the majority statesmen to get things bigger and more expeditiously for the dear people than could be secured by the minority candidates. A great many statesmen therefore are pledged to the old idea of "spend-

ing 'til it hurts." When these issues come up it is assumed that President Roosevelt himself will be in charge of those who want to tighten the strings on the public purse. It has generally been the chief executives who have demanded care in the spending of public money. If this be true, then it immediately becomes evident that Mr. Roosevelt with his personal popularity and all his hold on Congress has his work cut out for him. It will require all his political skill and statesmanlike qualities to come out successful. This last campaign was one in which spending was well advertised.

There are many programs for spending money which will be presented in one form or other in the present Congress. Among those which are outside the ordinary run of relief and government expenditure, the following nine have been localized and present to view by Oliver McKee, Jr., the well known Washington correspondent of the Boston Evening Transcript:

1. The soldier's bonus representing an immediate outlay of two billion dollars or more. This demand comes to a head as a direct

result of the lavish spending policies of the federal government.

2. The gigantic planning program of the National Resources Board, calling for an ultimate expenditure several times the amount of the existing public debt.

3. A farm mortgage inflation scheme, to the tune of three billions or so.

4. An additional billion, perhaps more, for the Home Owners Loan Corporation so that it may continue to save home owners in distress—at the expense of the Treasury.

5. Appropriations for public works and relief that are almost certain to go beyond the recommendations contained in the budget.

6. Increases in the army and navy, with substantial appropriations for modernization.

7. Utopian schemes, like those of the Townsend \$200 a month plan, under which the doors of the Treasury would be opened wide to subsidize leisure.

8. Proposals to spend a couple of billion dollars to eliminate grade crossings on railroads.

9. Old age and unemployment insurance, to be largely financed by the federal government, as a sub-

stitute for the minimum federal cost involved in the plans which the President is believed to have under consideration.

Mr. McKee continues: "This by no means exhausts the list of spending projects which will be deposited in House and Senate once the members of the Seventy-fourth Congress have unpacked their baggage. Most of the items on the above list will have substantial support, enough at many points to transcend the loyalty of individual Democrats to the legislative program of the administration."

We are certainly going to see the battle of the century between those who wish to spend and those who wish either to save or to employ the money differently. The victory is still doubtful but it is to be remembered that spending was (Continued on page 5, column 4.)

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