

THIS WEEK IN WASHINGTON

By Ralph E. Church, Representative, Tenth
Congressional (North Shore) District

WANTED—TAX REVISION

Washington, D. C., Nov. 20—From the discussions which have taken place during the first week of this Special Session of Congress it is evident that the members have returned from their constituents with a determination to do some independent thinking. There is a noticeable disposition to cast off the apron strings of the White House and put forth a program of their own. In the end the Congress may go along with the President in his proposed program, but it will probably be only after a careful examination of every measure.

Roosevelt Recession

The decline in business activity and increase in unemployment, creating this period known as the Roosevelt Recession, have shaken the people's faith in the New Deal policies of the last five years. This growing public sentiment is reflected in the attitude of the Congress. Democratic members know that unless there is an upturn in business before the next election they will have to pay the cost in public disfavor at the polls. Judging from the present temper of Congress, anxious to stem the recession tide, the Administration leaders will experience many headaches in trying to keep its overwhelming majority from jumping the traces.

Want Tax Revision

Taxation revision was not included in the President's announced program for the Special Session, but it has become the principal topic of discussion. Each day the demand for modification of the undistributed profits tax grows louder. To this tax, along with the fears and uncertainties created by the Administration's financial policy as a whole, is credited the blame for the falling off of business. As Members of Congress insist upon immediate tax revision, the

Administration fights to prevent any consideration of the subject at this session.

The controversial undistributed profits tax was proposed to Congress by Mr. Roosevelt on March 3, 1936. No doubt he made the proposal at the suggestion of Prof. Rexford G. Tugwell, then economic adviser to the President. This particular tax device was emphasized by Professor Tugwell in his book, "Industrial Discipline," as a major part of his theory that the Federal Government should reform business and control capital.

Immediately the Roosevelt tax program was hailed by the Democrats as a master political stroke. It was represented to the people as being a tax on large corporations. They were told that by this program the New Deal was championing small enterprises against their large rivals—and the small man against the millionaire. The 82 Republicans and 11 Democrats who opposed the measure in the House constituted too small a voice in their efforts to explain to the people that the tax would do the very opposite from what the 253 Democrats said it would accomplish.

Just Political Strategy

As the present decline in business has shown, the New Deal sympathy for the small corporations was founded on political strategy rather than on sound economic principles. The undistributed profits tax has prevented small businesses, which employ most of the wage-earners, from expanding and further developing their activity. It has operated in such a way as to pinch the small business and encourage monopolies. Rather than reaching the reserves of large corporations it has prevented the small corporations from accumulating reserves for reinvestment. In short, the undistributed profits tax has placed business in a straight-jacket and has prevented capital from flowing through productive channels.

It is difficult to simplify and put in understandable terms the method by which any tax operates. But somehow it should be made clear to our workers that the undistributed profits tax has been peculiarly onerous on the growing corporations and has played a large part in producing this period of economic recession. For the moment one illustration may suffice.

Aids Large Corporations

Treasury statistics for the period of 1931 to 1933 show that in 1931 the smallest corporations withheld 59 per cent of their earnings from dividends for reinvestment purposes, but the larger corporations held out only 5 per cent. In 1933 the percentage was 69 per cent for the smaller and 9 per cent for the larger. These figures, together with the fact that the tax does not apply to corporation surpluses accumulated prior to 1936, clearly show that it has operated to the advantage of large corporations and precluded any productive expansion by small companies.

A careful study of our economic set-up will show that employment opportunity in industry varies directly with the number of businesses. Most of our workers are employed in relatively small companies. It is my contention, therefore, that the small business of the United States should be encouraged and given the opportunity to function. Our people want permanent jobs at decent wages, and not a dole. Congress should immediately direct its attention to a modification of the undistributed profits tax in order that this may take place.

The Secretary of Treasury has admitted there should be a revision in our taxing method. The President made the same admission in his Message to Con-

gress. They made a mistake in 1936. We should correct it now!

North Shore Men Chosen
by Alumni at Hamilton

William C. Macey of Winnetka has been elected president of the Hamil-

ton college alumni association, and Donald Jones, also of Winnetka, has been named one of the vice-presidents. Ralph Renwick of Winnetka and Mark W. Lowell of Glencoe have been elected to membership on the executive committee, according to a news release from the college.

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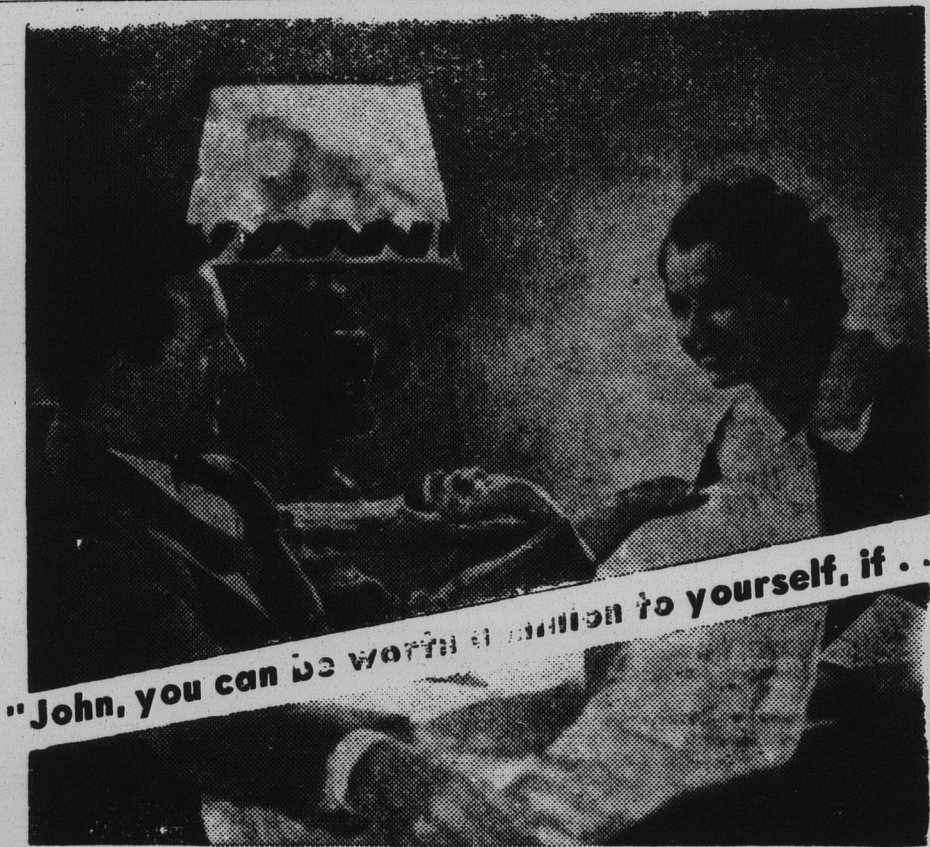
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LECTURER



Bishop G. Bromley Oxnam of the Omaha area of the Methodist Episcopal denomination, will lecture at Skokie school, Winnetka, Tuesday evening, November 30, at 8:15 o'clock. His subject will be "American 'If Moments.'" Proceeds from the lecture go into the scholarship fund of the Winnetka Graduate Teachers' college.



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