

## WEEKLY NEWS ANALYSIS BY JOSEPH W. LaBINE

### Predict New Pact With Brazil As U. S. Staves Off Nazi Bid For Entree to South America

(EDITOR'S NOTE—When opinions are expressed in these columns, they are those of the news analyst and not necessarily of this newspaper.)  
Released by Western Newspaper Union.

#### PAN-AMERICA: Hair's Breadth

Many years ago when the U. S. clamped down on immigration, millions of Germans, Italians and Japanese turned to unexploited Brazil. When Adolf Hitler came to power he began a diligent campaign to Nazify Brazil's Germans, just as Benito Mussolini tried Fascifying Brazil's Italians to the degree that Brazil's Japs were natively loyal to Tokyo.

To Hitler, one of Brazil's major charms was its unexplored iron deposits which might some day be taken by military force. As a foundation German crews began manning German airships from German airports established in Brazil, an expensive commercial aviation venture which could never pay out except in war. But one of Hitler's mistakes was to barter armaments and machinery for Brazilian coffee, which he then dumped on the markets to obtain badly needed foreign exchange, thus un-

dermining world prices and damaging Brazil's coffee trade.

Even this blunder was almost overcome, however. Early this year a Brazilian commercial mission was about to leave for Berlin when the U. S. convinced Foreign Minister Oswaldo Aranha he should visit Washington. Result: Brazil gained a loan from the U. S., also received aid in developing her resources.

After this hair's breadth escape came another. In May Gen. Pedro Aurelio Goes Monteiro, Brazilian chief of staff, was about to visit Berlin for general staff consultations leading either to a co-operative understanding or a military alliance. Hastily dispatched to Rio de Janeiro was Gen. George C. Marshall, newly appointed U. S. chief of staff. Result: Back home in mid-June came General Marshall with the bacon. On an American cruiser he brought General Monteiro to Washington, where observers expected a military agreement would soon be reached between the U. S. and Brazil.

The agreement's substance: The U. S. could use emergency air fields in northern Brazil, thus perfecting the American plan to make an American lake out of the Caribbean, with bases at Puerto Rico and Guantanamo, Cuba, serving as miniature Hawaiis.

Simultaneously, the Atlantic Clipper's inaugural trip to Lisbon with 30 passengers and 12 crew members gave every layman an idea of transatlantic aviation possibilities and their bearing on a U. S. pact with Brazil. Should a European power beat us to the draw, Brazil might easily become an operations base from whence bombers (after crossing the Atlantic at its narrowest point) might work against the Panama canal, Guantanamo, Puerto Rico and even the U. S. itself (see map).

Most U. S. industrialists believe government policy is holding back recovery. But this belief is not universal, for a recent Gallup poll showed public opinion well split on the responsibility; business itself got plenty of blame. A few weeks later Steelman Ernest T. Weir admitted he thought the "principal responsibility" for his industry's nine-year losing streak rested on the shoulders of management.

True or not, that charge gave Trust Buster Thurman Arnold good justification for probing deeper into

depression's cause. Most economists agree that the U. S. boom, when it comes, will begin with renewed housing activities. Hence it is to this field that Mr. Arnold will look first with his new \$500,000 appropriation to "police" American business.

Basic idea of the justice department's drive is that a large, well-trained anti-trust staff should ferret out illegal combinations of manufacturers, wholesalers, retailers, contractors and labor leaders. Once such illegal groups are smashed, Mr. Arnold thinks business paralysis caused by high costs will cease. His allegations regarding the business industry:

"Producers of building materials have fixed prices either by private arrangement or as the principal activity of trade associations. Owners of patents on building materials have used them to establish restrictive structures of price control, control of sales methods and limits upon the quantities sold."

Regarding labor unions:

"In recent years they have frequently been used as the strong arm squads for collusive agreements among contractors, refusing to supply labor where the contractors' ring wishes labor withheld."

#### INTERNATIONAL: Russia's Gain?

One hundred years ago a squabble between Japan and Great Britain would have caused no repercussions in Europe. But today's challenge of occidental rights in the Far East is tied inseparably with Britain's efforts to perfect a military alliance with Russia. Although Germany has gloated over London's failure both with the Russian pact and in the Orient, best guesses are that not Germany, not England, not Japan, but Russia alone will have profited when today's international cauldron has ceased boiling.

Germany has tried in two ways to hamstring the British. While William Strang of the London foreign office is conferring with Dictator Josef Stalin, the Reich's ambassador to Russia has been ordered to work for a stalemate by offering Moscow a commercial and credit agreement. If Germany thus joined western democracies in begging for Russia's friendship, it carried the begging to still greater heights during the Jap incident by singing a siren song that went something like this: "Why should a great power like you care to tie up with people like the British, who can now be kicked with impunity even by the Japanese?"

The Reich's second effort, obviously in desperation, has been to

#### UKRAINE: Incentive

Russia's rich Ukraine ranges from the Carpathian mountains of central Europe almost to the Caspian sea, embracing 380,000 square miles and populated by 53,500,000 Russians, Slavs and Germans. Through its east and central part run rich valleys of the Dnieper and Dneister rivers, which for years have fed vast Russia. To the east, in the Donetz river basin, lie vast deposits of coal, iron ore and manganese, ace cards in the deck of any military nation.

If Adolf Hitler's fascination for the Ukraine was once a puzzle, public interest has zoomed to such heights since he captured Czechoslovakia and thus made a path to the east, that the Ukraine's resources are now public knowledge. Even "Mein Kampf," which outlines Der Fuehrer's plans for wresting the Ukraine from Russia, revealed far less than a new U. S. bureau of mines study. Data:

The Ukraine's coal reserves are 72,300,000,000 tons; iron, 4,066,000,000 tons; ferruginous quartzite containing large iron percentage, 40,800,000,000 tons; manganese, 441,000,000 tons; lignite, 510,000,000 tons.

#### TAXATION: Profit Sharing

Last autumn a special senate committee inspired by Michigan's presidency-aspiring Sen. Arthur Vandenberg began studying profit sharing as a means of curing capital-labor trouble. The basic idea: Industrialists would get tax credits for sharing their profits or (if regarded in another light) would be penalized if they did not share profits. Though pointedly socialistic, the idea caught fire when one witness after another told how profit sharing had worked successfully. Soon Republican Vandenberg's idea began looking good to his Democratic colleagues, Iowa's Sen. Clyde Herring and Colorado's Edwin C. Johnson, both of whom knew the administration needed a clever card trick to soothe tax-irritated business.

By mid-June Mr. Vandenberg had lost the ball entirely, for Senators Herring and Johnson issued the committee's cautiously worded report. Its gist was that some "prudent experiments" in incentive taxation could be tried "in the spirit of exploration." Points (with critics' consensus in italics):

1. Exemption from all income taxes of the payments industrialists make to employees from accumulated profit-sharing retirement funds or annuities. (*Good idea. Although it would temporarily make social security a duplication, that agency would eventually grow smaller as provision for old age returned to private hands.*)
2. Issuance and sale of government profit-sharing bonds which would be available only to profit-sharing funds and would be issued for the purpose of protecting investments by employees. (*Good and bad. Would discourage small private investment and small banking, meanwhile providing new source of money for government spending. May be discriminatory. But would also loosen large private capital for private investment.*)
3. Specific tax credits for increased employment by companies following other than capital-expenditure work; similarly, reasonable exemption on such expenditures as plant expansion. (*Good and bad. Would lower business taxes, but places capital in the position of a child who will be praised by a paternalistic government if he does right and punished if he does wrong. Presupposes that profit sharing, thus far untried on a national basis, would be substantially a cure-all that would permit drastic reduction in "extraordinary" government expenditures.*)

Essentially a successful idea in private application, profit sharing will probably be boosted by both Democrats and Republicans in the next campaign. Chief issue will be on the application of government incentive taxation.

#### AVIATION: Students

The world's undisputed No. 1 air power, Germany, can train 65,000 airmen annually. By contrast the U. S. has but 23,000 fliers of both sexes and all ages. Worried lest a war in the air find America unprepared, a training program will be in full swing by October 15 designed to teach 95,000 U. S. youths to fly by 1944. Cost: \$5,675,000 to train 15,000 in the next 12 months; \$7,000,000 a year to teach 20,000 more annually until mid-1944.

Now underway in Washington are plans to offer "ground school" study next autumn at 300 to 400 universities and colleges, followed by actual flying.

Biggest fear voiced last winter when the program was broached has already been dispelled. To test it the civil aeronautics authority gave primary training to 330 students at 13 institutions, later granting private flying certificates to 173 of them. Though officials held their breath, only one student was killed.

#### Bruckart's Washington Digest

### Amazing Decline in American Farm Crop Exports Is Reported

Falling Off Is Largely in Cotton Shipments; Blame Is Laid To Trick Remedies Fostered by Agriculture Department; New Program Involves More Spending.

By WILLIAM BRUCKART

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WASHINGTON.—The department of agriculture issued a report the other day that showed an amazing decline in exports of American farm crops. Specifically, the report said that export shipments of agricultural crops were 21 per cent less in the last 10 months than they were in the same 10 months ending in May, 1938. Or, if calculated in fractions, American farmers were able to sell abroad less than four-fifths as much this year as last year.

Further examination of the figures placed the falling off of exports largely in the sales of cotton. So bad have our sales of cotton become abroad that the authorities now are expecting total exports of cotton this fiscal year to be the lowest in the last 50 years of American history.

It is a sad state of affairs and does no credit to Secretary Wallace and his subordinates in the department of agriculture. They must take the blame because they have conceived and promoted and executed all of the nostrums and trick remedies that were to lead American agriculture to the more abundant life. So, what we have today is a low mark of which none can be proud, and that remarkable record has been attained after billions of dollars have been wasted in one way or another from the ploughing under of thousands of acres of crops and the killing of 6,000,000 pigs through all of the stages of crop control, regimentation of farmers and creation of unprecedented bureaucracy.

But the real shock seems yet to come. There is more money to be spent and a new program to be carried out. Mr. Wallace has now initiated an effort by which export bounties will be paid and this will enable the sale of cotton abroad—so Mr. Wallace believes. President Roosevelt believes so. He has indorsed the scheme.

#### Doomed to Failure Like Earlier Crackpot Ideas

Thus, we have come to a new phase in a long string of governmental failures—because this one is doomed to failure like the earlier crackpot ideas. Since 1933, when the administration embarked upon its price-raising campaign, cotton sales abroad have steadily dropped lower. When the efforts to hold the price up by means of a reduced acreage failed, brilliant minds in the administration turned to loans to the holders of cotton so that the price could be held above the world level. Thereafter, and almost at once, cotton goods of a cheaper kind and made by the worst types of serfdom labor, and cotton, itself, from lands where labor works for a piece of black bread crowded American cotton out of the world market.

When I say, as I did above, that the latest scheme for artificial maintenance of prices will fail, an explanation of the reasons therefor obviously is required. In some quarters around Washington, however, it is asserted that no explanation is necessary because the thing is ridiculous in the extreme. I do not believe the situation is as clear as that. It may seem to some that payment of subsidies to those owning cotton will permit those holders to sell at a lower level than their competitors from foreign lands. That is to say, the cotton could be sold at whatever price was required to get it marketed—with the United States government making up the difference by a direct payment to the seller. When this happens, however, other factors and forces begin to operate, and there is where the selling machinery stalls.

I believe no one can safely dispute the statement that the drop in our cotton exports—and other farm products, too—has resulted from the various price control policies that have been used. Whenever there is an attempt to control prices artificially, there is bound to be grief since that action represents an interference with the law of supply and demand. A horse will not drink and a buyer will not buy unless he wants the drink or the product.

#### Better to Sell at Lower Prices Than Not at All

What is the result? It is plain to see that prices are propped up by various sticks, most of them furnished out of the federal treasury. Now, there is no sign at all that

either President Roosevelt or congress is willing to withdraw those sticks which hold the prices up. Since they are apparently to remain, then it is equally apparent that none of our cotton will be sold at prices competing with foreign cotton. Naturally, the foreign cotton gets into the markets and stays there just as long as our own silly policies are maintained.

It seems strange to me why the government continues to harp away on these artificial supports for prices and crop control methods and other devices which some bright young man thinks will work. There could be an elimination of nearly all of them and, if there were, it is likely that American cotton exports would again be taken in the world market. Of course, the price would be lower. But it strikes me as common sense that it is better to sell at a lower price than never to sell at all. And unless all of nature's teachings are to go awry at once, the price level would control the amount of cotton planted very much better than Secretary Wallace or Assistant Secretary Brown can do.

There is, however, another phase to be considered. Mr. Wallace and the President talk about payment of the bounties so that our producers will get a full price, even though the foreign buyers get the stuff dirt cheap. While this policy is being fostered, another agency of the government is promoting international treaties designed to do away with just such policies. I refer, of course, to the reciprocal trade treaties that are the especial pet of Secretary Hull, of the department of state.

#### Hull Has Worked Hard to Recreate Flow of Commerce

Mr. Hull has worked long and faithfully in his campaign to eliminate the barriers to trade between nations. He has sought to get other nations to eliminate restrictions on quantities of imports from the United States; he has battled against special tariff charges and has used every argument available to recreate a free flow of commerce between the United States and as many nations as will enter into such trade agreements.

It fails to make sense to me, therefore, to see Mr. Hull struggling along one road and Mr. Wallace, with the President's approval, carrying out in behalf of the United States the very policies which Mr. Hull finds objectionable on the part of other nations.

What must the reaction of the Argentines be, for example, when we say through Mr. Hull that we don't want any restrictions on our shipments to their country—and then say through Mr. Wallace that we are going to pay cash subsidies to our growers of wheat so that they can undersell the Argentines in the world market at Liverpool, England. Of course, wheat has not been included in the initial proposal for subsidies, but will all of those please stand up who believe a subsidy can be limited to one kind of farm crop? I would feel, if I were a citizen of Argentina, that even the kindly words of President Roosevelt about being good neighbors were liberally sprinkled with hokum.

#### Tap Treasury for Subsidy To Pay Holders of Cotton

The tariff laws say that whenever shipments of any commodity from any foreign nation is sold or offered for sale in our market at prices below the selling prices in the homeland of production, our customs officers shall at once apply a countervailing duty. Now, the countervailing duty is nothing more nor less than a retaliation and it is intended to offset the use of such subsidies as are paid by the government of the land from which the shipment came. We have used it many times; only lately it was used against Germany. The amount of the duty that was assessed was more than enough to make the price of the imported article higher than our American market quotations on like articles.

Here in the Wallace subsidy idea, however, it is proposed to take money out of the federal treasury to pay holders of cotton a subsidy that will enable sales abroad at low prices. The self-same treasury at the very same time must act through its customs officers to see that no other nation does the same thing to us. (Released by Western Newspaper Union.)

#### Speaking of Sports

### Wood Entitled To Goldom's Roll of Honor

By ROBERT McSHANE  
"HE'S one of the greatest golfers I've ever seen—and not because he beat me."

It took a lot of courage for the speaker to say that, for he was none other than Craig Wood, who recently completed his "reverse grand slam" by losing to young Byron Nelson in the second 18-hole playoff for the National Open title.

Wood has found only one competitor harder to beat than Old Man Par. And that's Mr. Hard Luck, who has finished regularly in first place since 1931. When golf's last chapter is written, Craig will be remembered as the man who came closer to winning more major championships than any divot digger who ever lived.

Opportunity has knocked more than once for him. In fact, it has rapped a steady tattoo on his door. His golfing career has been a succession of tough breaks, lost chances and marvelous opposition.

His amazing career got underway back in 1931 when the tall, blond-haired youngster tied John Golden for the North and South title at Pine-



CRAIG WOOD

hurst. It wasn't one of goldom's major titles, but it was his first big tournament. He didn't win the title—Golden beat him in the playoff.

From then on his luck would have spelled disaster to anyone but a fighter. In 1933 he tied Denny Shute for the British Open championship in his first overseas effort. He was beaten in the playoff.

#### Student vs. Teacher

In 1934 he reached the final of the Professional Golfers association tournament at Buffalo. Paul Runyan beat him on the thirty-eighth, the second extra hole. An interesting sidelight to Runyan's victory was the fact that he had served his apprenticeship under Wood at the club in Deal, N. J.

During the 1934 season he finished second in five winter circuit tournaments, losing three times to Horton Smith.

Wood has been plagued by the phenomenal long shots his opponents have holed to beat him. Opportunity had stepped inside the door at the near-end of the Masters at Augusta in 1935. Wood had retired to the locker room to celebrate and there received everyone's congratulations. "It isn't over yet," he told his well-wishers. "There are still a lot of scores to be posted."

But Wood, along with the milling spectators, figured his lead was secure. Then the miracle happened. Gene Sarazen scored a double eagle on the fifteenth, holing out a 290-yard wood shot. Sarazen played the next three holes in par and tied Wood for the championship. Wood lost in the playoffs.

To keep the record straight, he finished second in the Metropolitan Open in 1936.

#### Reversal Completed

Wood has now lost playoffs for the four greatest titles in reach of a professional—the British Open, the P. G. A. crown, the Masters and the National Open.

Despite these breaks, Wood has never carped. He has always played his best game, and is the first to give credit to the winner.

Wood had two breaks in the first playoff round of the National Open. The first was when his second shot hit a spectator, and was thereby saved from hooking out into the rough. The second break—of a totally different nature—was when he failed to hole a six-foot putt which would have won the championship for him.

One person remarked: "It was only justice, I think, that the putt missed, for it evened up the break that came before." The speaker, again, was Craig Wood.

#### All-Star Jinx

A STRANGE jinx has overtaken each of the five college football coaches who, in past years, were named to coach the graduated college all-star team which annually meets the National Football league professional champs in the pre-season grid classic.

The head coach of the college all-stars is selected by millions of fans, voting in a nation-wide poll. It is a signal honor for any coach to win that election.

The jinx has already overtaken Noble Kizer of Purdue, who coached the first all-star team in 1934, Frank Thomas of Alabama, Bernie Bierman of Minnesota, Gus Dorais of Detroit and Bo McMillin of Indiana.

Kizer's all-stars met the Chicago Bears in a scoreless tie. But his Purdue team, while finishing high in the Western conference the previous year, experienced a disastrous 1934 season, losing three games. The Boiler-makers lost to Rice, Notre Dame, and their traditional rival, Indiana.

In 1935, the following year, Frank Thomas, coach of the Alabama Rose Bowl champions of the previous season, suffered a similar unsuccessful season.

Bernie Bierman, coach of Minnesota's mighty Golden Gophers, was head mentor of the 1936 all-stars, when they tied the Detroit Lions 7 to 7. He wasn't quite as unlucky as Kizer or Thomas, but the jinx tripped him up when the Gophers, undefeated in 32 previous starts, were whipped 6 to 0 by Northwestern in one of the season's most startling upsets—an upset that kept the Gophers from annexing another Big Ten title.

Dorais suffered the same luck in 1937, as did McMillin in 1938. McMillin's collegiate crew did a fine job in beating the world's champion Washington Redskins 39 to 14 but his own Indiana lads scored one victory, and that over ineffectual Iowa.

Should the jinx continue, football fans may need more than an election to name an all-star coach.

It will probably call for a miracle.

#### Gag Backfires

JOE JACOBS, manager of Blubberweight Champion Tony Galento, struck a new high—or rather, a new low—recently when he charged that Joe Louis had a metal slug in his hand the night he knocked out Max Schmeling.

Joe can't be blamed for trying to build up interest in his fat boy. Something had to be done. A public made apathetic by past heavyweight performances certainly wouldn't rush the turnstiles to see Galento in action, even against the Brown Bomber.

Jacobs took it all back when Gen. John J. Phelan, chairman of the state athletic commission, threatened to revoke his license in New York.

But the damage has been done. Prize fighting has never been held in the same high repute as other sports, with the exception of an almost obsolete contest called wrestling. Millions of people look upon prize fighting with a raised eyebrow or with compressed nostrils, thinking only of the sport's seamy side.

It is all too true that boxing has plenty of unwashed linen in its hamper. It is equally true that the fight game includes some of sportdom's squarest shooters in its ranks.

Unfounded accusations, such as Jacobs' bombast, magnify the evils of the ring. Granted that the average fan is too smart to be taken in by such hokum, nevertheless, repetition of such baseless charges have an unhappy effect.

A few crackpots can do untold damage. And the sad part of it is, they don't suffer the consequences. The entire pugilistic profession is the loser.

#### Sport Shorts

ART SHIRES, former White Sox first baseman, says he finds refereeing wrestling matches in the Southwest more profitable than managing a minor league team. . . . Ray Arce is emphatic in saying Joe Louis is dynamite. He has acted as a second for six fighters who have opposed Louis, and only Jimmy Braddock was able to go beyond the third round. He fell in the seventh. Others handled by Arce were Paulino Uzcudun, Jack Sharkey, Nathan Mann, John Henry Lewis and Jorge Brescia. . . . Only 17 games have gone more than 18 innings in the 63-year history of the National league, and the Cubs have played in nine of them.

(Released by Western Newspaper Union.)