

WEATHER
North winds, cloudy and
somewhat colder tonight; un-
settled in northeast; Thurs-
day fair.

GASTONIA DAILY GAZETTE

LOCAL COTTON
14 1-2 CENTS TODAY

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GASTONIA, N. C., WEDNESDAY AFTERNOON, DECEMBER 8, 1920.

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HOUSTON ADVISES REVISION OF NATION'S TAXES; URGES REPEAL EXCESS PROFIT TAX

WOULD INCREASE TAX ON INCOMES UP TO \$5,000

(By The Associated Press.)
WASHINGTON, Dec. 8.—Immediate revision of the nation's tax laws on the basis of an annual levy of four billions of dollars for a period of four years, and including an increase of two per cent in the taxes on incomes up to \$5,000, is urged by Secretary Houston in his annual report sent today to Congress.

Repeal of the excess profits taxes, elimination of certain of the so-called luxury taxes, including the levy on soda fountain and similar beverages, and a readjustment of the rates in the higher groups of income taxes, is proposed by the Treasury chief. To meet the losses brought about by these proposed changes, Mr. Houston recommends revised and new taxes to yield about \$2,000,000,000 as follows:

A tax of 20 per cent on corporation profits, distributed or undistributed, in addition to application of a higher surtax rate to yield \$690,000,000.

An additional tax of 6 per cent on corporation incomes to yield \$465,000,000.
Readjustment of surtax rates on incomes to yield an additional \$230,000,000.
Abolishment of the \$2,000 exemption allowed corporations on income to yield \$58,000.

An increase from the present 4 per cent to 6 per cent in the tax on incomes of \$5,000 or less and from 3 per cent to 12 per cent in the tax on incomes between \$5,000 and \$10,000, the whole estimated to yield \$150,000,000 annually.

A tax of two cents a gallon on gasoline for motor cars and all other purposes, to yield \$90,000,000.

A federal license tax of 50 cents per horsepower on the use of motor cars to yield \$100,000,000.

An additional sales tax on automobiles (other than trucks and wagons) and motorcycles and motor car accessories to yield \$100,000,000.

A ten per cent additional tax on theatrical admissions to yield \$70,000,000.
An additional tax of \$2 per thousand on cigarettes to yield \$70,000,000.

An additional tax of 25 cents per thousand on cigars to yield \$5,000,000.
An additional tax of 6 cents per pound on tobacco and snuff to yield \$8,000,000.
An additional tax of 5 per cent on candy to yield \$20,000,000.

An additional tax of 7 per cent on toilet soap and toilet-soap powders to yield \$4,000,000.

A 10 per cent tax on the sale by manufacturers, producers or importers of perfumes, cosmetics and medicinal articles in lieu of the present tax to the consumer to yield \$10,000,000.

An additional five per cent tax on jewelry and precious metals to yield \$25,000,000.

An additional tax of 5 per cent on musical instruments to yield \$13,000,000.
An additional tax of 5 per cent on motion picture films to yield \$4,000,000.

In the readjustment of surtaxes, Mr. Houston proposes the division of incomes into "saved" or reinvested and "spent." On the former class he would limit the highest tax to 20 per cent while the income spent would be subjected to a tax ranging as high as 50 per cent. Under the plan proposed by the Secretary, incomes between \$5,000 and \$6,000 would be taxed 2 per cent on the part saved and the same on the part spent. The same ratio with a graduated increase would apply to incomes up to \$30,000, where the maximum of 20 per cent on saved income is reached. From \$30,000 to \$40,000, the rates would be 20 per cent on saved and 25 per cent on spent; \$40,000 to \$50,000, 20 per cent and 30 per cent; \$50,000 to \$75,000, 20 per cent and 35 per cent; \$75,000 to \$100,000, 20 per cent and 40 per cent, and over \$100,000, 30 per cent and 50 per cent or a total tax of 70 per cent.

The present maximum rate is 70 per cent on incomes of \$1,000,000, but Mr. Houston declares it has "long passed the point of its minimum productivity" since it encourages the investment in tax-exempt securities. He says the "only effective way to tax the rich is to adopt rates that do not force investment in tax-exempt securities."

The new rates while not laying as high a levy against the great incomes will, the secretary expects, produce a greater return to the government since the wealthy class will not find it profitable to invest in bonds of states, countries or municipalities which are tax-exempt, but pay a lower rate of interest.

"These possible sources of income are mentioned for the information of Congress," Mr. Houston says. "While I shall not attempt to discuss them, attention should be called to the new and additional consumption taxes. Reasons have been given for the belief that no valid objection exists to the employment of a moderate number of consumption taxes properly selected, but it would, in my opinion, be neither wise nor expedient to increase rapidly the volume of consumption taxes." The articles includ-

ed in the suggested list of additional consumption taxes have not been selected because their use is particularly harmful or in any sense less legitimate than those not included. Consumption taxes must be judged by practical standards. What should be sought are a few consumption taxes which tap the surplus income which is being wasted, not a conglomerate multiplication of petty taxes upon every article of luxurious or unnecessary consumption which can neither be clearly defined, cheaply collected nor administered without widespread evasion."

The repeal of the tax on soda fountain and other beverages is asked, the secretary says, because the collection of the tax, the aggregate of which is small, has presented an administrative problem of magnitude. Added to that, Mr. Houston says, there has been constant and widespread evasion of such taxes.

The excess profits tax, Mr. Houston declares, has not fulfilled the theoretical grounds upon which it was enacted and has been found to be wrong both in theory and in political philosophy. He says it discriminated against the conservatively financed corporation while aiding materially the firms whose capitalization is exaggerated. He urges that it be replaced by some form of a corporation profits tax "not only on the grounds of the government's revenue needs, but upon grounds of equality and justice."

The corporation profits, the secretary continues, should not be allowed to escape with a tax of 10 per cent while other tax payers are subjected to taxes on their incomes ranging as high as 70 per cent.

Mr. Houston again urges the necessity for rigid economy in government expenditure, asserting that only by conserving the finances carefully can the expenditures be kept within the \$4,000,000,000 annually which he suggests should be the basis for a revenue program. He is hopeful, however, that with the "heavy burdens placed by the Transportation Act" out of the way, there will be a substantial excess shown by government receipts over government expenditures.

An analysis of the government expenditures for the last fiscal year develops the fact that almost one-fifth of the \$6,400,000,000 paid out was spent in connection with federal control and the guaranty of earnings for the railroads. Only one department of the government—the War Department—spent more than was used in connection with the carriers. The War Department's total, the record shows, was \$1,611,000,000 against \$1,987,000,000 for the railroads.

Discussing the war debt, and a program for its retirement, Mr. Houston says that within the next thirty months the government will have to pay off approximately \$7,500,000,000 in Victory Notes, War Savings Certificates and Treasury certificates of indebtedness. He proposed that the Treasury certificates not be funded further; that they be retired as rapidly as the treasury's conditions permit so the program for redeeming other government obligations will not be hampered by simultaneous payments.

Mr. Houston tells Congress that the heavy payments required by the Transportation Act had "disarranged the government's fiscal plans" but he believes early spring will witness final settlement of the claims of the railroads under the guaranty provisions and that the Treasury then can proceed with its previously announced program of meeting and retiring the War Savings Certificates, amounting to \$800,000,000, and the Victory Note issue, which aggregates \$4,500,000,000.

Through operations of the sinking fund, use of the small repayments by foreign governments on loans, and the employment of certain salvage returns to the Treasury, it has retired \$1,764,896,150 in bonds, Mr. Houston says, saving \$100,000,000 on the transactions by buying in the open markets. Of the amount purchased, bonds aggregating \$119,109,000 were retired from funds repaid by the foreign governments.

Lessons of the world war, Mr. Houston says, have shown the need for the transfer of some of the Treasury activities to other departments. Five bureaus, War Risk Insurance, Prohibition, Public Health Service, Supervising Architect and the General Supply Committee, are in no way related to the fiscal operation of the government, he says, and urges that they be placed under other jurisdiction. The request, he adds, is unusual for few if any other executive department heads have been willing to see their departments dismembered. His own request, he says, demands the more attention for this reason.

In connection with this suggested reorganization, the secretary asks that the position of under secretary of the Treasury be created at a salary of \$10,000. He recommends also an increase in the sal-

ary of the under secretary of the Treasury from \$8,000 to \$10,000.

At its close, the president wrote a paragraph which might be regarded as a valedictory, saying:

"I have not so much laid before you a series of recommendations as sought to utter a confession of faith, of the faith of which I was bred and which it is my solemn purpose to stand by until my last fighting day. I believe this to be the faith of America, the faith of the future and of all the victories which await national action in the days to come, whether in America or elsewhere."

Democracy, the president said, "is being put upon its final test."

"The old world," said he, "is just now suffering from a wanton rejection of the principle of democracy and a substitution of the principle of autocracy as asserted in the name but without the authority and sanction of the multitude. This is the time of all others when democracy should prove its utility and its spiritual power to prevail. It is surely the manifest destiny of the United States to lead in the attempt to make this spirit prevail."

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CONCRETE RECOMMENDATIONS IN PRESIDENT'S MESSAGE

Washington, Dec. 7.—President Wilson's concrete recommendations to Congress in his annual message today were:

• Revision of the tax laws with simplification of the income and profits taxes.

• Independence for the Philippines.

• A loan to Armenia.

• Economy in government appropriations and expenditures and creation of a "workable" budget system.

• Cold storage and other laws affecting the cost of living, and the federal licensing of corporations as recommended in previous messages.

• Rehabilitation and training of disabled soldiers and sailors. The president did not endorse a bonus.

• Nowhere did the president refer to the League of Nations or the peace treaty fight, except perhaps, by inference in his opening when he quoted Abraham Lincoln's "Let us have faith that right makes might, and in that faith let us dare to do our duty as we understand it."

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TRAIL OF ALLEGED MURDERER HAS LED DEEP INTO MEXICO

Ardmore Officials Are Uncertain As to Next Step—Father of Missing Woman Declares His Daughter Innocent—No Word From Newspaper Man Who Talked With Her.

EL PASO, Tex., Dec. 8.—The search for Clara Barton Smith, wanted in connection with the death of Jake L. Hamon, at Ardmore, Okla., ended last night, as far as local officers are concerned, they said, when Miss Smith was almost within their grasp at Juarez.

Sheriff Orndorff learned the location of Miss Smith through a confidential telegram and declares the informants wanted a reward in return for disclosing her hiding place. The sheriff construed an answer to a telegram to Sheriff Garrett at Ardmore to mean that Miss Smith was not wanted and that there was no reward for her capture. He declared last night that he would not continue work on the case.

J. L. Smith, father of the missing woman, and his wife were found at a local address last night. Smith declared that he had been here for two weeks and that he had not seen his daughter in more than a year. He expressed confidence that she was innocent of anything wrong and that her reported confession was untrue. Mrs. Smith wept as her husband talked with a reporter.

Juarez police last night searched every hotel and rooming house in the city without result. They declared that Miss Smith had vanished, probably going to Chihuahua City or some other interior point.

Next Step Unknown.
ARDMORE, Okla., Dec. 8.—With the trail of Miss Clara B. Smith apparently leading deeply into Mexico, local officials conducting the search for the woman had not made public early today the next steps they will take to bring about her apprehension.

Reports last night that she had been definitely located just over the Mexican line near El Paso and might be expected to cross to this side shortly and surrender, caused optimism on the part of Russell R. Brown, local county attorney, who has directed the spreading of the net across the southwest to intercept her.

The belief was expressed today that the local officials would await official reports from the El Paso authorities before going ahead with their plans.

No Word From Ross.
SAN ANTONIO, Tex., Dec. 8.—No word had been received here early today from Penny M. Ross, local newspaper correspondent, who in company with another correspondent left here last night for the place near San Antonio, where Ross claims he conversed with Miss Clara Smith, sought in connection with the shooting of Jake L. Hamon, of Ardmore, Okla.

Ross and his companion refused to permit city detectives to accompany them.

STEAMER FROM NEW YORK HAS SMUGGLED GOODS?

GENOA, Dec. 7.—Search of the steamer American, upon its arrival here from New York yesterday, revealed a quantity of tobacco, sugar and coffee, which, it is alleged, was being handled by smugglers.

In addition the officers found 400,000 rubles in the custody of the wireless operator. He declared the money was not to be used for political purposes, but belonged. The money and goods have been sequestered by the police.

His capture was accidental. He was crossing Fifth avenue at 42d street near the public library when Hugh J. Hannigan, formerly a first lieutenant in Willer's company, recognized him. Hannigan called a policeman and Willers was arrested. At a police station the prisoner was further identified by two other former lieutenants in company I, Sidney P. Howell and Francis Hatch. Willers was then taken to Governors Island, headquarters of the second army corps, and placed in confinement at Fort Jay.

Willers, the police said, recited in a brazen fashion how he was sent to the United States as one of 300 cadets trained in the acts of espionage to enlist in the American army.

On his arrival in the United States, Willers went to Albany, where he enlisted, he said, as a private. His military aptitude won him rapid promotion and his knowledge of English and his ability to "speak like an American" enabled him to obtain a commission.

MODERN ROBIN HOOD FOUND IN OHIO

STUEBENVILLE, O., Dec. 8.—Daniel Cable, a pottery worker, reported to the police here last night that a robber had leaped upon him, overpowered him and rifled his pockets. Finding no money, Cable said, the highway man reached into his own pocket, pulled out a roll of bills and offered to give him \$10, saying: "Here, brother, you need it worse than I do." Cable said he was too surprised to accept the money.

WAR COST AMERICAN PEOPLE HUGE SUM OF \$24,000,000,000

WASHINGTON, Dec. 8.—The cost of the war to the American government was fixed by Secretary Houston today at \$24,010,000,000. This he said, represented the "adjusted" expenditure of the treasury, excluding all other outlay which had no relation to the actual prosecution of the war during the period from April 6, 1917, to June 30, last, which he said, covered the extremes of the government's war-time fiscal operations.

Total expenditures by the government during the period covered, excepting only one postal disbursement from postal revenues, were \$38,830,812,895, Treasury figures showed. Of this amount \$16,078,844,097 was obtained in taxes and revenue from sources other than borrowed money.

Mr. Houston said a deduction of \$9,523,000,000, the amount loaned to foreign governments, should be made from the grand total since these loans will be repaid and consequently cannot be charged as an actual expenditure. The secretary made other deductions aggregating approximately \$4,500,000,000 which he said represented the excess cost of actual governmental operations for the three years and three months over which they would have been in normal times.

GERMAN SPY IS HELD ON GOVERNOR'S ISLAND AWAITING TRIAL

Hans Willet, Alias Capt. John A. Willars, Former Commandant of a Company at Camp Sevier.

NEW YORK, Dec. 8.—Hans Willet, alias Captain John A. Willars, commander of Company I, 48th United States Infantry, during the war, was held in Castle William, Governor's Island, today, awaiting action by army officials on an confession he is alleged to have made to police detectives here yesterday that he was a German spy.

Although he had been sought as a deserter, alleged to have absconded soon after the armistice with \$6,000 in company funds, his confession of espionage came as a complete surprise. Hugh J. Hannigan, a former lieutenant under his command, on whose identification Willet was arrested, said not a man under the captain's command had ever suspected he was a German sympathizer.

Willet said, according to the detectives, that he was one of 300 cadets who had trained in Germany and were sent to this country to enlist in the United States army. The scheme, he is alleged to have said, was for the cadets to lead units of soldiers to France and expose them in dangerous positions for slaughter.

Willet protested vigorously at first that he was not the man sought for desertion, but, after two other former officers of his company corroborated Hannigan's identification, he sank down in a chair and murmured: "You've got me."

A few minutes later he became calm and deliberate, and said: "I have nothing to regret. It is just the fortunes of war. Luck was against me and I'll have to pay."

His wife, who was formerly a Miss Crawford, of Chicago, called at the police station early today, after having heard of her husband's arrest, and asked the police for his keys and his money. When told Willet had been taken to Governor's Island she said she would go to see him later. They have lived for more than a year on Riverside Drive, she said.

During the remainder of the present week the president-elect plans to devote his attention almost wholly to correspondence that has accumulated since he left for his vacation on November 6th. He also hopes to find opportunity to make up on the golf links some of the outdoor exercise he missed during his voyage to Panama and his four days of travel and conferences in Virginia and the capital.

COTTON GINNERS' REPORT UP TO DECEMBER 1

(By The Associated Press.)
WASHINGTON, Dec. 8.—Cotton ginned prior to December 1 amounted to 10,144,921 running bales, including 191,687 round bales, 48,268 bales of American-Egyptian, and 1,111 bales of sea island, the census bureau announced today.

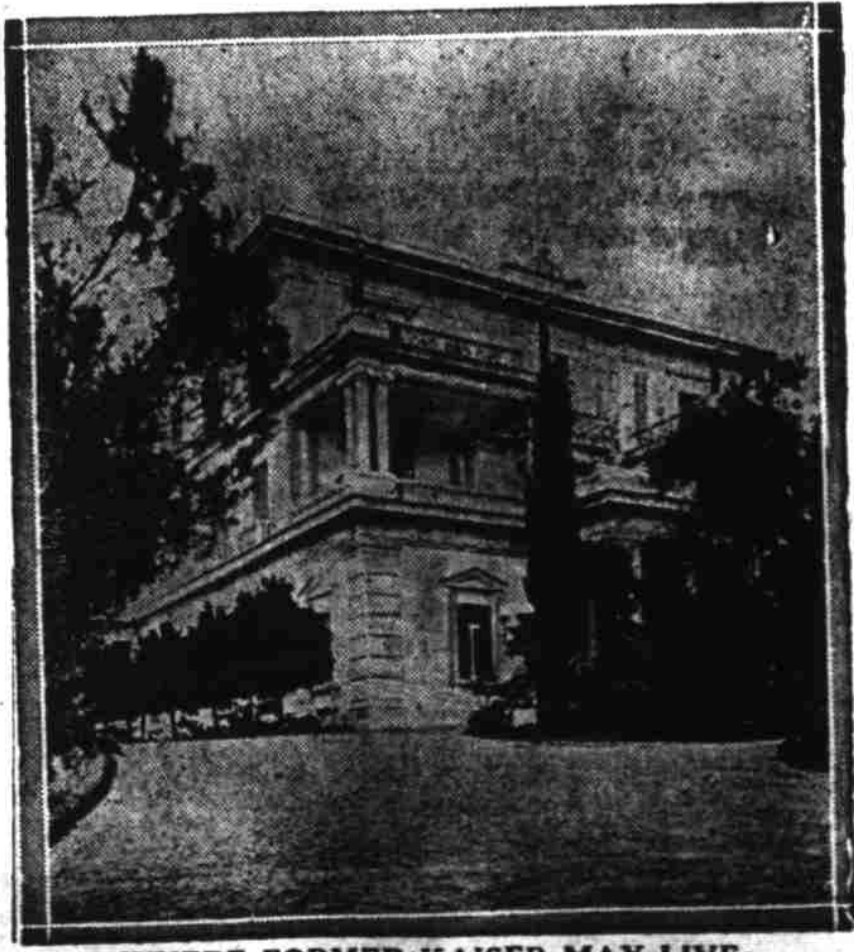
Last year to December 1 ginnings amounted to 8,844,368 bales of lint, including 99,668 round bales, 23,725 bales of American-Egyptian and 5,362 bales of sea island.

Ginnings to December 1 this year by states follows:
Alabama, 570,992; Arizona, 57,286; Arkansas, 812,912; California, 32,709; Florida, 16,063; Georgia, 1,261,326; Louisiana, 331,041; Mississippi, 730,571; Missouri, 44,141; North Carolina, 611,103; Oklahoma, 768,712; South Carolina, 1,259,029; Tennessee, 209,741; Texas, 3,423,111; Virginia, 9,842; all other states, 6,342.

GIANTIC FURNITURE SALE WILL BEGIN FRIDAY

The Gastonia Furniture Company, one of the city's largest and oldest mercantile establishments, is using four pages of today's Gazette to make a trade announcement that should be a matter of genuine interest and financial benefit to every reader of this paper.

This firm has probably the best and largest stock of fine furniture to be found in the State, and they propose, beginning Friday, to offer it at practically half price in order to reduce their stock. The reputation of the firm is an absolute guarantee that what they advertise as a bargain is really and truly a bargain. The sale coming right at Christmas buying time should prove a source of help to many in finding suitable gifts for their families and friends.



WHERE FORMER KAISER LIVE: In the event of Constantine's return to the Greek throne, the former Emperor William of Germany, at present an exile in Holland, will make his home on the island of Corfu. Photo shows the beautiful Villa Achilleon, which is owned by the former Emperor.