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Effect Of N. C. Axes On Business And New Industry

(The following is excerpted from a recent address by T. V. Houser, chairman of the board of directors of Sears, Roebuck and Co., delivered to a group of North Carolina businessmen in Winston-Salem, Editor, The News.)

Now I hope you will not think I am showing poor taste if I bring to you a subject which most of us would like to forget when we can name taxes. It has been my good fortune to sit where I can look over the whole economic panorama of this country, state by state. Our business entails buying from practically every kind of consumer goods industry except food and fuel, and our sales are to people who constitute a cross section of the United States population - geographically, rural and city, men, women and children, the rich and the poor. We have a chance to see the different ways in which state authorities have approached their revenue raising problems and the resulting economic effects.

I certainly do not pretend to be an expert in this field, but I have been curious about the wide differences between states. I suppose any state has to decide in raising its necessary revenues between the corporation and the citizen. I know that about one-half of

the total state revenues of all states is from sales and use taxes, borne directly by the citizen, and North Carolina follows exactly the same plan. Revenue from licenses constitute about the same proportion here as in other states, and no doubt this is predicated upon having the citizen or corporation pay directly for whatever state supervision is required for different kinds of operations.

My own view has always been that if these kinds of taxes are equitably administered within a given state, they can be higher than some other state without affecting the competitive situations between businesses. All who do compete in a given state market have the same burden, and the end consumer pays because competitive forces presumably will increase the general level of consumer prices in a state where these taxes are higher and would lower prices where these taxes are lower.

INCOME TAX PROBLEM
A real problem arises, however, when other forms of taxes, particularly income taxes, enter the picture, and especially so when businesses engaged in interstate trade are involved.

Manufacturing operations are

generally involved in this question because most manufacturing businesses, no matter how small, must compete in other states with similar manufacturing companies located in other states. If one state imposes a decidedly heavier burden on such an operation than its neighboring states, it makes its own industry less able to compete or its investment in that state less desirable.

Table showing ratio of Sears purchases to sales in various states: Mississippi 124%, Alabama 95%, Tennessee 11%, etc.

North Carolina receives almost double the proportionate amount of all other states of the union from corporate income taxes as applied to its corporations. As a matter of fact, North Carolina has the highest corporate income tax rate of any southern state, except one, which is equal, and with that state and only one other, Wisconsin, the distinction of being next in line to the two highest states of the union, Massachusetts and Oregon. One should realize that it is corporations which make jobs and the individual citizen is better off with a job and a little higher tax, than with no job and lower tax.

I would be the first one to admit that taxes alone do not determine the flow of investment and new industries to a state. You have a great record here in the development of industry. But

as I mentioned before, we watch closely the ratio of Sears' purchases to sales in each state. To a considerable degree this comparison reflects the continued development of new or expanded industries because we are forever screening each state for potential sales. I give you the following figures for whatever significance they may have:

- 1. The ratio of Sears purchases to sales in: Mississippi 124%, Alabama 95%, Tennessee 11%, etc.
2. The state puts an inequitable burden on its own industries when they must compete for business which the firms not having such a burden.

I am sure you must realize that I am raising only the question of whether it is possible that such a question of the advisability of this form of tax, in addition to the federal income tax, because of fundamental difficulties mentioned. I know that so far as administration is concerned, your state administration has established the foremost reputation in tax circles, for its enlightened and equitable treatment of taxpayers within the framework of your tax policy.

The People Have Spoken

The obvious moral to be drawn from Saturday's run-off primary election is that voters can be depended upon to do the right thing when they are both interested and informed.

That they were interested, and deeply, in the three main contests shown on the heavy turnout—almost 20,000 votes, just 5,000 votes shy of the first primary total on May 29. Normally there is a much greater drop in the vote total of a second primary.

The most decisive victory went to former Sen. F. J. (Jack) Blythe, who swept all but five of the county's 52 precincts to oust the incumbent, Fred H. McIntyre. Mr. Blythe had a large and efficient organization of enthusiastic campaign workers. They deserve most of the credit for the victory. But we suspect that Mr. Blythe's pledge to work in harmony with members of the House delegation and to consult with local officials on local legislation was a major factor in his success.

Unhappily, several diversionary issues were introduced in the closing days of the Blythe-McIntyre campaign, but the voters were not fooled.

Sam McIninch and Herbert Garrison are both men of outstanding ability, who will strengthen Chairman Sid McAden's

Board of County Commissioners. Along with Craig Lawing and John McEwen, who were nominated in the first primary, Mr. McIninch and Mr. Garrison will give Movement County's 8-million-dollar government sound and wise management.

The race between Solicitor Basil Whitener and Thomas G. Lane Jr. was complicated by geographical factors. Gaston County gave Whitener a huge lead, and Mecklenburg County backed Lane almost as strongly. Though he lost in the combined total by 16,416 to 14,363, Mr. Lane showed that a strong Mecklenburger can upset the unwritten tradition that gives the 14th Judicial District judge to Mecklenburg and the solicitorship to Gaston. We do not expect the tradition to hold for many more years.

The Whitener-Lane race was marred by a series of vicious rumors which may have affected the outcome. Mr. Lane felt it necessary in the last week of the campaign to deny those rumors. That was questionable political strategy, but it was a courageous and impressive performance.

The three races were hard fought and in the state senate campaign, at least, the issues were well defined. Winners and losers should now accept the judgment of the voters with good grace.

Armies Can Do A Lot Besides Fight

ARMIES do more than fight wars. They cause political, social and ideological changes. Shoulder-to-shoulder military service creates firm bonds of comradeship. These secondary functions of armies could be exploited more fully to the advantage of the free world in its struggle with the Communists.

The Reds, as the Alsop brothers point out in their column on this page, have just pulled a neat political maneuver in China, through the army. Many Chinese soldiers fought for Communist war lords instead of in the regular "People's Army". The Reds feared the war lords might revolt if they continued to have their own armies. So, during the Korean War, the troops of the war lords were integrated into one national army. Result: A new allegiance for the troops, and no troops for the former war lords.

Social changes were hastened by U. S. military services through their desegregation policies following World War II. Negroes and whites served in separate Army units during that war. Tension between the separated soldiers frequently resulted in fights when they came together. By the time of the Korean War, Army integration was well along. Troops of the two races got along remarkably well when integrated all the way down to the squad level, concentrated their fighting on the enemy rather than each other.

Common Army service was a considerable factor in the unification of Israel.

During the recent war, a time of mass immigration, literally dozens of nationalities were represented in the Army. Four or five languages were sometimes spoken in one brigade. It took but a few short months for the army to amalgamate into devoted Israelis.

It has been the experience of bilingual Canada and Belgium, quadrilingual Switzerland and the multilingual (predominantly French and German) French Foreign Legion that language differences pose no great difficulty in international military affairs. Similar experience has been reported by veterans of U. S. units in Korea which included South Korean troops.

We detail these non-military attributes of integrated armies because they could be exploited profitably among the military forces of the U. S. and its European allies. The formation of an integrated NATO unit, perhaps only on a small and experimental scale to begin with, might be one way to get the faltering European Army off dead center, to renew among the allies an esprit de corps that is lacking.

Call the idea, if you wish, idealistic. But a few thousand French, German, British, Italian and American boys, serving side by side, would probably generate more of the contagious camaraderie the free world needs than a dozen high-level conferences and a Pentagon full of liaison officers.

Not Much Of A Record So Far

A CONGRESSIONAL election is only four months away. Exaggeration and distortion of party records are expected. But, perhaps because he has distinguished himself lately by his frankness, Vice President Nixon's exposition of the record Saturday was disappointing. He gave his party much more credit, and the Democrats' much more blame, than either deserves.

Speaking at a GOP rally in Wisconsin, he claimed the administration has: (1) Abandoned the policy of former Secretary of State Acheson, which was "directly responsible for the loss of China."

(2) Veered away from the Democrat's "Socialist tradition."

(3) Done something about the Communist danger which the Democrats "failed to recognize."

If, as Mr. Nixon says, the administration has abandoned the Acheson foreign policy, it has abandoned that policy for a weaker one. The truce in Korea, reached in Indochina, increasing quarrels among the allies are proof enough of that point.

From The New York Times

HOME, QUIET HOME

IT SITS dark and silent now, quiet at last, mercifully quiet. To be sure, there were indications in recent days that it might grow dark before its official time, as the picture faded a little, the sound grew slightly indistinct. That perhaps was not unreasonable, for everything that is often used does become worn in time, and if anything recently worn was often used, the television set certainly was that thing. Ten to 12-30, 2 o'clock to 5, day upon day—so it went. But last it is quiet now, at last. Now it is possible to enter the living room in daylight hours, to see the sun, and there the shades not drawn. It is possible to enter the living room and sit down there and read a book for a couple of undisturbed hours at a stretch. It even is possible to talk in the living room, on an extended conversation, now that the other thing is quiet. The summer may be a good one, after all. It may be all right now, although for quite a time it seemed the summer might be canceled through a point of order. But home again is home, sweet home, and not an

annex to the Senate caucus room.

Presumably the set is only resting, and tonight will light up again with something brief and short, like baseball. Sunlight comes into the living room today, and conversation is conducted on a level that is higher than a whisper. It could be, of course, that a fair amount of this conversation would go under the heading of gossip, or neighborly reports, libels and slanders. This is understandable, for no one spoke for so long a period that a vast mound of fresh material lies there awaiting general dispersal. This dispersal should take a week or so, and it is bound to be instructive. To be dispersed, also, are the neatly folded contents of the darned basket. For the first time in many a long year there is no shirt in the house lacking a button, no pants lacking a patch, no sock having a hole. Remember the ladies knitting as the guillotine fell during the French Revolution? Remember—well, it is no time to draw too fine an analogy, now that the sun and speech have returned to the living room.

'Why Don't You Guys Saw The Boat In Half?'



ON THE MERECLEEK

People's Platform

Nothing Gained When Red Methods Used

Nothing Gained When Red Methods Used
Pinehurst
Editor, The News:
On June 19 you published a letter under the heading "Why Do Intellectuals Favor Communism?" the first paragraph of which stated that "you [the editor] take every opportunity to smear Sen. McCarthy's work."

If the party who wrote the referred to letter wishes to believe in McCarthy and his methods that is his right. To attempt to deny him that privilege would be to concur in his and McCarthy's type of attack, and to overlook our too often disregarded system of freedom of opinion, freedom of thought, freedom of speech and the liberty not to conform.

I, like you of The News, am opposed to communism. The essential difference between our methods of opposition and that of McCarthy is simple and quickly stated: We know that nothing can be gained in fighting communism by using communistic methods.

Drew Pearson's Merry-Go-Round

WASHINGTON
SVELTE, handsome Allan Shivers, the Texas governor who bolted the Democratic Party in 1952, was considered a shoo-in for re-election a short time ago. Now he doesn't look so sure.

They then hired State Senator William Moore, chairman of the Senate Insurance Committee, as their attorney. He not only blocked reforms in the Texas insurance laws, but persuaded the state insurance commission to approve a \$486,000 appraisal on the Lowrys' beat-up building.

With this inflated asset, Texas Mutual wrote 38,000 policies and now owes \$120,000 on 1,600 claims.

Appeal To Shivers

"Dear Governor," he wrote. "On March 9, 1953, I had the opportunity to visit with you regarding the condition of Texas Mutual Life Insurance Company. Mr. Shivers, I have been in this business for 22 years, and know that too much safeguarded around insurance in all its forms is impossible. For millions of Americans, insurance represents the only asset they ever accumulate, and you are the only one left to whom they can appeal for action to help them from the loss of their savings."

Young Willie By-Passed

White House friends point out that he could save himself a lot of headaches by knowing a little bit more about domestic politics, or if he had someone close to him in the White House who did.

Hunt's Funeral

The office staff of the late Sen. Hunt of Wyoming was kept busy preparing the funeral of the chief by Senate Sergeant-at-Arms Forest Harness.

Red China Reduces Threat Of Revolt By Warlords

By JOSEPH & STEWART ALSOP

WASHINGTON
WHILE preparing to pick up the big prize in Indochina, the Chinese Communist government has just taken another rich dividend from the Korean War.

This is interesting, because the hope that warlordism might curb the Chinese Communist has been one of the strongest of the popular false hopes for an easy way out in Asia. Even the authoritative British Economist was voicing this hope quite recently, reflecting the false optimistic views of the foreign office.

Not BY THE WARLORDS
To be sure, the old-fashioned warlords like Lung Yuen of Yunan had altogether ceased to matter. But there were potential new-fashioned warlords in the form of the tough commanders of Communist field armies, who had just won a civil war.

Under Mao Tse-tung's first settlement, moreover, most of China was divided into four great "military areas." Each area was occupied by the field army that had conquered it. Each was governed by the field army commander.

At this stage, then, these areas were really great military dukedoms. The dukes, the field army commanders, had full administrative powers, and they were also supported by large forces loyal to them rather than to the Politburo.

one can see there was always a possibility that one day more of the military dukes could challenge the authority of the Politburo, which then directly controlled only a small part of China with relatively weak military forces.

Then came the Chinese intervention in Korea. Immensely significantly, the man chosen as the first Chinese commander in Korea was Gen. Lin Piao, by far the strongest of the field army commanders. By the same token, the first contingents for Korea were entirely taken from the two best field armies, Lin Piao's Fourth Army and Chen Yi's Third Army.

Gen. Chen Yi seems to have scored what was in the wind and to have objected—but too late. At any rate, his fall from power and favor clearly dates from this period.

TROOPS INTEGRATED

Thereafter, contingents for Korea were drawn from all the military areas in rotation, and when they reached Korea, they were carefully mixed up together. Regiments from different field armies were placed in the same divisions, and the same divisions from different field armies were placed in the same regiments. The result was that, at army level, owing no inconsiderable personal allegiances, was thus created on the Korean front.

After that was done, First Gen. Lin Piao was replaced as Korean commander by the chilly creature of the Chinese Politburo, Peng Dehuai. Then, somewhat later, the "military and administrative commissions" which had ruled the military areas under the field army commanders, were suddenly transformed into simple "administrative commissions" entirely staffed by Communist bureaucrats.

Finally, by the order given last week, the remaining Army leaders have ceased to govern their military areas. All these great sub-divisions of China have now been taken under the direct control of the Politburo. That ended the process.

From Korea, thus far, the Chinese Communists have got this dividend out of the Korean War: a serious internal threat; plus the dividend of Russian arms and equipment for much the most powerful of the field armies in Asia; plus the dividend of the enormous prestige of having fought the United States to a standstill.

After that, there will be the process of what was one adds up these dividends, who can say we should not have fought the Korean War to final victory?

Gov. Shivers Losing Ground In Texas

The governor didn't even bother to answer the letter. Worth's detected scandals in other companies, including Loyd's of North America, which was founded two years ago by an ex-Olympic wrestler, Ralph Hammonds, who had put up \$20,000, borrowed another \$20,000 and paid back his loan out of the \$1,700,000 insurance premiums he collected.

Hammonds also had hired political influence in the person of John Cronkrite, Shivers' campaign manager.

Hastily, shivers launched an investigation, claimed his campaign manager had been sucked in. Shivers' present attorney-general, John B. Shepard, even made a big show of subpoenaing Worth to tell his story.

Worth, of course, was the same man who had been trying for two years to get the attorney-general's office to listen and to get Gov. Shivers to act. Worth had even offered to turn over a file of the attorney-general's associates, but they weren't interested.

White House Friends Point Out That

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