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STATE RIGHT ISSUE REVIVED BY TAX PLAN

Proposed Levy on Local Bond
Income Would Be Bitterly
Contested, Declares Mark
Sullivan.

URGE SURTAXES BE CUT

By MARK SULLIVAN

WASHINGTON, Jan. 18.—The proposal to make bonds issued by states, cities, townships and villages subject to the federal income tax is going to revive what has been one of the oldest and most vital issues in American politics.

It is anywhere from 10 years to half a generation since "states rights" used to figure every day in the debates of congress. Most of the fights went against the states, and in the swift and drastic centralization of power at Washington that occurred during the war, states rights almost disappeared as a live issue.

At this moment, however, it is coming rapidly to the front not only in connection with the project of putting a federal tax on state and other local bonds, but also in connection with the Dyer bill to make the crime of lynching a subject for federal action, together with the project for a federal department of education to have some kind of centralizing relation to public schools and other institutions now wholly under control of the states.

Drastic Invasion

Of all these movements, present and past, probably the most drastic proposed invasion of states rights on the part of the federal government is the proposal to put federal restrictions on the power of the states to borrow money.

The movement arises out of the income tax. When the owners of a large fortune invests in the bonds of a private business corporation, he must pay from 25 to 50 per cent of his income in taxes. But when he invests in the bonds of the states, cities and villages, he need pay no income tax on the interest.

The result has been that private business corporations borrowing money must pay roughly from 5½ to 7½ per cent, whereas cities and towns can borrow it at from 4 to 5 per cent. It follows necessarily that private corporations have difficulty in borrowing, while states and cities can borrow freely.

Two Remedies

To get rid of this handicap against private business there were two feasible remedies. One was to reduce the highest taxes on incomes to something like 30 per cent or less and thus restore in the mind of the large investor the mind of the large quality of attractiveness between the bonds of private corporations and those of states and cities.

This was the remedy Harding proposed first. He recommended it in a letter to congress, but congress turned it down. Thereupon, Harding in his last address to congress recommended that state and city bonds be made subject to federal taxation the same as the bonds of private business corporations.

This could only be done by means of an amendment to the constitution of the United States, and it is to consider the advisability of such an amendment that the hearings are now being held.

Federal Revenues Affected

It must be admitted that the present situation is not only hurtful to the federal government's revenue, but that it also has an indirect effect not widely noticed. It puts a premium on the municipal ownership of public utilities and promotes it greatly.

Any given gas company or electric light company or telephone company must pay from 5½ to 7½ per cent for its borrowed money, whereas the same company, if turned over to the city government, can borrow its money at from 4½ to five per cent.

The resulting stimulus to municipal ownership is readily apparent. There still remains, of course, the alternative remedy that Harding first suggested, namely, a reduction of the higher surtaxes on large incomes to something like 25 per cent.

The project for an amendment to the constitution by the action of three-fourths of the states would take at least two years' time under the most favorable circumstances. And, as a matter of fact, the project would encounter the most stubborn opposition and revive the old states rights issue in a vital form.

Ernest Debates

The Dyer bill authorizing the federal government to take cognizance of lynching and punish it in the federal courts has given rise to earnest debates in the lower house of congress. It was initiated by the Republicans to fulfill a platform promise, and the Democrats claim it is put forward largely to make a Republican appeal to the negro vote, which is so large as to be decisive in such doubtful states as Indiana and Ohio.

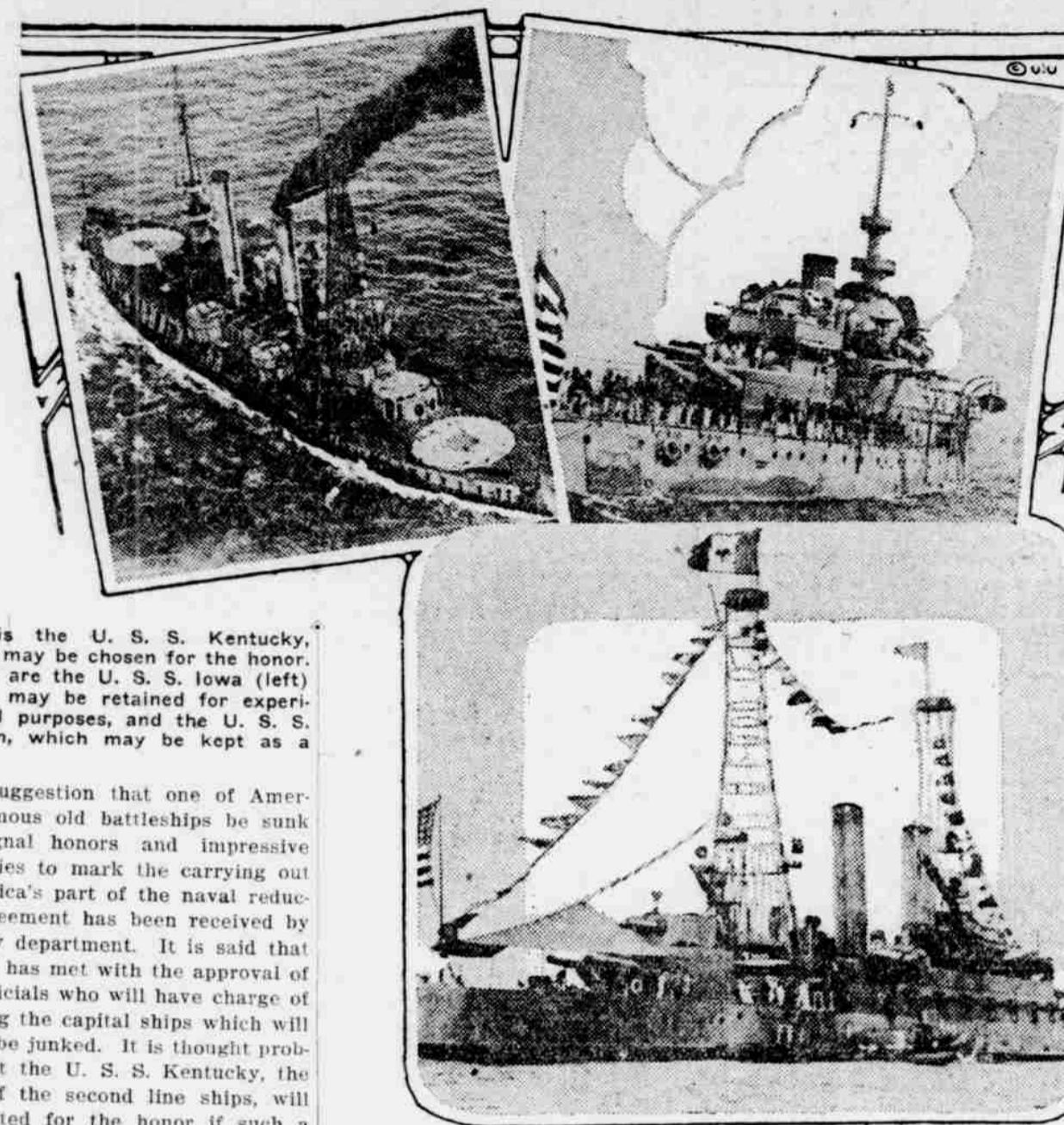
Southern Democrats say that lynching is already decreasing through the only sound means by which it can be decreased, namely, by the growth of local public sentiment against it. They say further that for the federal government to interfere would merely make the whole troublesome race question worse.

Undoubtedly it is the view of persons who are most enlightened and free from partisan prejudice that the best hope for amelioration of the race question in its largest aspects lies in local treatment of it without the interference of force from the outside. The race question has grown steadily less troublesome in proportion as the federal government has receded from the use of force, which was a cardinal Republican doctrine in the generation following the Civil war.

The project for a federal bureau of education has been opposed by President Nicholas Butler, of Columbia.

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Sinking of Old Battleship with Signal Honors to Mark Acceptance of Navy Cut



Below is the U. S. S. Kentucky, which may be chosen for the honor. Above are the U. S. S. Iowa (left) which may be retained for experimental purposes, and the U. S. S. Oregon, which may be kept as a relic.

The suggestion that one of America's famous old battleships be sunk with signal honors and impressive ceremonies to mark the carrying out of America's part of the naval reduction agreement has been received by the navy department. It is said that the plan has met with the approval of navy officials who will have charge of scrapping the capital ships which will have to be junks. It is thought probable that the U. S. S. Kentucky, the oldest of the second line ships, will be selected for the honor if such a plan is carried out. The ship, ship and span and with all flags flying,

would steam to the place chosen and then would be sunk while other ships of the navy fired the national salute of 21 guns.

Nusbaum Will Not Be Senatorial Candidate

It was learned Wednesday that Lee B. Nusbaum will not let his name be used as candidate for the nomination for state senator on the Republican ticket. When Mr. Nusbaum was asked about the matter, he said he had decided not to make the race, although many of his friends have urged him to do so.

TOBACCO COMPANIES CONSPIRED TO KEEP UP PRICES, CHARGE

By Associated Press

WASHINGTON, Jan. 18.—Three of the principal tobacco manufacturing companies, the American Tobacco company, the P. Lillard company and the Liggett and Myers Tobacco company, were charged with engaging in conspiracy with numerous jobbers' associations to keep up jobbers' prices in a report transmitted today by the senate by the federal trade commission.

The three companies, the commission declared, in giving the results of an investigation ordered under a resolution by Senator Smith, Democrat of South Carolina, were formerly parts of the "tobacco trust" dissolved by the supreme court.

The R. J. Reynolds company, the report said was not a party to the alleged conspiracy and was commanded for its opposition. The commission promised prosecution where the evidence discloses there has been violation of law.

SOUTHERN IRELAND RESTLESS, IS REPORT

By Associated Press

LONDON, Jan. 18.—Unrest prevails in southern Ireland, says the Dublin correspondent of the London Times, who intimates that followers of Eamon De Valera may be engaged in stimulating disturbances.

"A spirit of extreme republicanism," the correspondent declares still flares in the south, where large bodies of armed men refuse to accept the treaty between Ireland and Great Britain. There has been an epidemic of robbery and other crimes of violence in Dublin and in rural districts which demands strong measures from the government. The whole country will heartily support the provisional Irish government in any measure taken to establish order, but the next few weeks, while English forces are being withdrawn, may be a difficult time.

A newspaper published in the interest of the followers of De Valera is said to have appealed for funds to organize popular opinion in favor of the republic.

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TEACHERS' PENSIONS INCREASED BY DULING

By Associated Press

INDIANAPOLIS, Jan. 18.—Increased pensions for Indiana public school teachers, who have been receiving disability pensions for a number of years, will result from the ruling today of Attorney General Lesh who held they were entitled to payment under the 1921 law and not the 1915 law.

Under the old law the teachers received from \$350 to \$375 a year, but under the new law the payment will be approximately \$500 or more varying according to the salary received at the time of retirement.

In her overalls she carried a powder puff and rouge, and on the train she tried to smoke a cigarette to heighten the appearance of masculinity. Her father, now dead, was a Baptist minister, she said.

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JUNIOR HIGH SCHOOL PRINCIPALS ASSIGNED; CLINE RETAINS PLACE

By Associated Press

WASHINGTON, Jan. 18.—Retention by the war department of nine main training centers, one in each corps area, and of a number of other special camps was recommended today by General Pershing, chief of staff at a hearing before the house military committee.

RULE NOTE FOUND AFTER MILTON BANK FAILURE IS FORGERY

Special to The Palladium

NEWCASTLE, Ind., Jan. 18.—Judgment for Gus Kinsinger, living east of Newcastle, defendant in a suit brought by Claude S. Kitterman, receiver for the Farmers' bank at Milton, for \$200 on a note, was returned Wednesday morning by a jury in circuit court here after 30 minutes' deliberation.

Kinsinger claimed that the note, found after the suicide of Oscar Kirkin, cashier of the bank, was a forgery. A shortage of about \$100,000 was found in Kirkin's accounts after his death.

The decision of the Henry county jury is expected to have an important bearing on about 25 other cases where notes were found, signatures to which are declared forgeries.

AMERICA INTERVENES IN CHILE-PERU FUSS

By Associated Press

WASHINGTON, Jan. 18.—The American government has intervened in the controversy between Chile and Peru, involving the execution of the treaty of Ancon, inviting the two South American governments to send plenipotentiaries to Washington for a conference.

Mr. Cline has been acting principal in the high school since September and was filling the vacancy until he would be removed to the Dennis school, where he was to be located. N. C. Heironimus, principal of Garfield junior high school, was appointed principal of the David Worth Dennis junior high school and George A. Manning, of Economy, is to succeed Mr. Heironimus in the Garfield school.

Mr. Heironimus has been in close contact with the Richmond public schools for a period of 27 years, and was first to start the junior high school project in Richmond. The Garfield junior high school was started at its present location in 1910, having moved from its location in the old

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FIRES IN SCHOOLS ENDANGER PUPILS

By Associated Press

NEW YORK, Jan. 18.—Mysterious fires in two public schools in Manhattan, which endangered the lives of hundreds of pupils, have led to the arrest of three boys, after investigation showed that the fires started in waste paper baskets in empty classrooms. Detectives today were seeking other boys thought to be responsible for two other school fires.

Capture Dainty Miss Masquerading As Boy

By Associated Press

CINCINNATI, Jan. 18.—Anna Bragg, 19, pretty, in men's attire and showing a rather inartistic result of trying to bob her own hair, so that she would more closely resemble a boy, reached Cincinnati from Charlestown, W. Va., today, but a Chesapeake and Ohio railroad detective penetrated her disguise enroute and gave her into police hands. Miss Bragg said she tried to be a mancub, but made a failure. She was turned over to social workers and by night will have employment and a dress and other things.

In her overalls she carried a powder puff and rouge, and on the train she tried to smoke a cigarette to heighten the appearance of masculinity. Her father, now dead, was a Baptist minister, she said.

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Weather Forecast

MOORE'S LOCAL FORECAST

Mostly cloudy tonight and Thursday; rain turning to snow; considerably colder.

The storm center now crossing the central states is caused by falling temperature, either tonight or Thursday, rain turning to snow due to a cold wave over the upper Mississippi valley states.

For Indiana, by the United States Weather Bureau—Snow in north and rain or snow in south portion tonight and Thursday; colder Thursday and in northwest portion tonight.

Temperatures for Yesterday

Maximum 41

Minimum 12

Today 42

Noon 42

Weather Conditions—The storm reported approaching in yesterday's bulletin now covers the Mississippi valley states. General rains in south and central portions of Indiana, and snow over the northern portion. Another general storm covers the Rocky mountain states. A severe cold wave has overspread the northern border states, temperatures ranging from zero in portions of Iowa, 20 to 30 below in the Dakotas, Minnesota and northward.

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