Proceedings of the Second Interstate Assembly.
A SUMMARY OF THE PROCEEDINGS
OF THE
SECOND INTERSTATE ASSEMBLY

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*Governor Leslie A. Miller
*Hon. Henry D. Watenpaugh, Speaker of the House of Representatives
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Preface

For the purpose of publication in this edition of "The Book of the States", the transcript of the proceedings of the Second Interstate Assembly has been edited and somewhat abridged by Dr. George C. S. Benson and Mr. David W. Robinson of the Publications Division of the American Legislators' Association and the Council of State Governments.

This involved, in general, the elimination of debate on parliamentary questions and other material pertaining to the mechanics of the meeting. That portion of the proceedings having to do with the roll call by states for the purpose of introducing the individual members of state delegations has also been deleted. In an effort to reduce the costs of publication statements have been condensed whenever feasible, and in some cases remarks dealing with situations in individual states have been omitted.

All substantial revisions in the form of extended remarks have been referred to the author for approval. The editors were extremely careful to avoid altering the thought expressed by any of the speakers.

The statements in the debates represent personal opinions. The actions taken were actions of the Second Interstate Assembly. The Assembly was organized by the American Legislators' Association and the Council of the State Governments, but its decisions are not their decisions. Neither the American Legislators' Association nor the Council of State Governments takes sides upon any controversial issue.

Henry W. Toll

Executive Director,
The Interstate Assembly
SOVEREIGN STATES

From forty-one states came outstanding legislators and officials interested in preserving the sovereign position of the states in the American scheme of government. Realizing that interstate cooperation is essential if more powers are not to be transferred from the forty-eight capitals to Washington, these delegates to the Second Interstate Assembly concerned themselves with methods of coordinating the activities of the various states—in taxation and other fields.
The opening session of the Second Interstate Assembly, was called to order at 9:40 a.m. by the Honorable William B. Belknap, President of the American Legislators' Association and ex-officio Speaker of the Interstate Assembly.

SPEAKER BELKNAP: Gentlemen, the first order of business is the organization of the Assembly. I am going to introduce Senator T. V. Smith of Illinois, who will act as Secretary of the Assembly. I will ask him to read the purpose and plan of the meeting.

PURPOSE AND PLAN OF THE ASSEMBLY

SENATOR SMITH: "The Interstate Assembly is designed to bring the forty-eight state governments into more intimate, direct, and systematic communication with each other, and to enable them to harmonize their activities. It is intended to be a convenient agency for consultation, negotiation, and agreement among the states. It is not designed to consider tax matters alone, in the long run, but all suitable subjects—such, for instance, as crime prevention, economic security, public health, and so on.

"However, the primary problem to be considered at the 1935 meeting of the Interstate Assembly is to be that of conflicting taxation.

"On the first morning a few of the leading students of taxation will develop a picture of the existing tax situation. After luncheon there will be presented the first report of the Interstate Commission on Conflicting Taxation, which was created by the Interstate Assembly in 1933.

"Thereupon the meeting is to be turned over to the forty-eight delegations; each of which will be called upon either Thursday afternoon or Friday morning, in alphabetical order. The interests of other levels of government will then be emphasized: federal, county, and municipal.

"On Saturday morning, the Assembly will turn to a consideration of the means for improving communication and cooperation between the states.

"On Saturday afternoon, the Assembly will consider any specific proposals which the Resolutions Committee commends to its consideration.

"Because the President's Program of Economic Security contains implications which vitally affect the tax policies of state and local governments, Saturday evening will be given over to consideration of this program, and questions of state officials will be answered by the man under whose direction the proposed legislation was written.

"This Assembly is a pioneering venture on the part of far-seeing governmental officials, who realize the need for cooperation between the states, and the fact that the present type of organization is necessary in order to secure results. All of the delegates to this Assembly have a common interest and a common purpose. Their power is great, and if all of them should work together this year, and in years to come, it would alter the course of American history."

ORGANIZATION OF THE ASSEMBLY

SPEAKER BELKNAP: The Chair will now entertain a motion for the organization of the meeting.

HON. WALTER G. QUERY (South Carolina): I move the following resolution be adopted: "RESOLVED, That the procedure and form of organization for this Assembly will follow that of the first Interstate Assembly held in 1933, and that the following committees will be appointed by the Speaker:

1. Reception.
2. Credentials.
3. Resolutions and Procedure.
4. Finances.
5. Plans for the Interstate Assembly.
6. Agencies for Interstate Cooperation."

SPEAKER BELKNAP: You have heard the resolution. Is there any second?
HON. LARRY DOBELL (Montana): I second the resolution.

SPEAKER BELKNAP: It has been moved and seconded. All those in favor of this resolution will say "aye." Opposed "no." The resolution is carried. The Chair will appoint these committees at the earliest possible time so they can begin to do their work.

I am going to introduce to you a man who needs no introduction to anybody who has had anything to do with the American Legislators’ Association, Senator Henry Toll.

ADDRESS BY HENRY W. TOLL

The American Legislators’ Association and the Interstate Assembly are the product of the efforts of many men during a span of the last ten years. There will be present at this meeting, men who have been actively working on this project for ten full years. Mr. Belknap is one of them. There will be at least a score of men present at this meeting who have been working on this project for as many as five years. It is an undertaking which is a joint effort and we hope it will be more and more so as time goes on.

To this, the Second Interstate Assembly, there have been delegated official representatives from all of the state governments; the first conference of the forty-eight states since the adoption of the federal Constitution in 1789, a century and a half ago. You are gathered here from the four corners of the nation to discuss mutual problems. Without exception, every one of the forty-eight states has provided for a delegation to attend this Assembly; and in every case this delegation has been designated to represent the state either by the Legislature or by the Governor, or by both.

There can be no doubt that this hour marks the consummation of an effort to establish a nationwide contact among the states from which there will evolve an official mechanism without which the structure of our government is seriously defective.

Will you permit me to read to you the Preamble of the Articles of Organization of the Council of State Governments?

Technique of Cooperation

If we are not to be subjected to extreme federalization within a short time, it can only be because the states are on the verge of cooperating with each other as they have never cooperated before. And if we are at the beginning of such cooperation, it will be brought about through the Council of State Governments and through this Interstate Assembly. It is not too much to say that this assembly is writing history, and that each of us will look back to this occasion with a sense of pride and of pleasure that we have participated in it.

I will not burden you at this time with a discussion of the precise organization which is under discussion in connection with this Council. Whatever machinery may be established in order to secure the results which we all desire will be a matter of study, of conference, and of group action.

On Saturday morning we will discuss together the actual technique of cooperation between the states, and after this Assembly adjourns, you will all be kept fully advised concerning the progress of our planning. It is to be hoped that each of you will continue to give this subject your careful consideration, and that month after month you will contribute your ideas and your suggestions, in order that the best thought of our state officials may be utilized in the development of an effective organization.

Organization and Machinery

When a corporation is formed to manufacture steel rails, everyone connected with it is interested in the product—no one is interested in the corporation’s overhead structure, except to the extent that the overhead is necessary in order that the best rails may be produced. In other words, it may be said that everyone is interested

Mr. Toll then read the material beginning on page 93 under the subhead, New Needs in Government—the Preamble of the Articles of Organization of the Council of State Governments—and added the subsequent material through the first complete paragraph in the second column on page 95.
in the product, and that no one is interested in the organization. On the other hand, we all know that without good organization, good rails cannot be produced.

The analogy is perfect in the case of government. We all know, in a general way, what results government seeks. It seeks for its citizens' safety, health, education, transportation, communication and economic security. The objectives of government do not include the organization of boards, and bureaus and departments and councils and conferences—nor even the levying of taxes. Those are only the overhead organization. But without them, government cannot produce the desired results. Is any one here interested in governmental organization and machinery? No! Not one of us is interested in governmental organization and machinery, except as an instrumentality for securing the results which our government is intended to produce. But without adequate and well-designed organization and machinery, the desired results of government are impossible.

Probably few of us are interested in the machinery of transportation. But if you were in New York City and you wanted to be in San Francisco, you would hardly say that you were interested in results but that you were not interested in railroad trains nor in airplanes. You cannot achieve your results unless you have the machinery which is essential to their achievement.

The failure of the states to harmonize their governmental activities, during the last century and a half, has been inevitable because the states have not had the machinery of government which was necessary for harmony. And so today you and I find ourselves thinking about governmental machinery—not because we are interested in the machinery, but because we are interested in the results which it may produce in terms of governmental harmony, cooperation and effectiveness.

But make no mistake. This is not a small task. It cannot be done by dropping letters into mail boxes. There must be conferences, and every conference is a junket to the unintelligent. There must be organization, and every organization is anathema to the narrow-minded isolationist. There must be full-time workers, and every worker is a parasite to the unprogressive. There must be expenditure of money, and there are many who would have the government die of gangrene rather than pay a surgeon.

May I close with two sentences from the statement which President Roosevelt issued last week endorsing the purposes of this Assembly? He said:

"Both the Congress and the executive departments of the national government are constantly confronted with problems whose solution requires coordinated effort on the part of the States and the Federal government. It is apparent, I think, to all students of government that there is urgent need for better machinery of cooperation between Federal, State and local governments in many fields."

Shall we all work together during the months which are ahead of us in order to build that machinery? And shall we dedicate ourselves afresh to the idealism in government which is sometimes called patriotism?

**Address by T. Jefferson Coolidge**

I am glad to appear before this Second Interstate Assembly and to meet so many state senators, representatives and governors' delegates from the various states. You are here because of your special knowledge and keen interest in matters of taxation and administration, and because of your determination to bring the highest degree of cooperation to bear on interstate and national problems.

Both the President of the United States and the Secretary of the Treasury have publicly expressed their desire for coordination of federal and state taxation and have advocated and encouraged further study. The results of such meetings as this should furnish the basis for real progress.

The fiscal problems of governments are not likely to be either few or simple during the coming years. A well coordinated tax system would, however, materially simplify the task of raising the necessary revenues in the most efficient manner as well as being
The people, through their representatives, determine the amount of public moneys that must be gathered, and we who work in the field of taxation must advise them as to the best methods of obtaining these funds without conflicting with each other’s needs.

There are many hindrances to a realization of the most desirable program. Some of the difficulties are legal and constitutional; some are the less tangible but deeply rooted prejudices against innovation, no matter how beneficial, in the long run, we may expect it to be; and some are differences of opinion between thoughtful men. These difficulties cannot be swept aside but must be given the fullest and most sympathetic consideration.

It is at once the duty, and the sensible course of the federal government to view its own and state and local fiscal systems as a broad unit. Unless I mistake the signs of the times, states are tending more and more to look beyond their boundaries and to view other states as good neighbors. In tax terms, this means that each tax proposal of the future should be considered by the several governments with this question in mind: “How does this proposal fit into the tax system viewed as a unit for the nation?” We encounter here, in national relationships, the problem which has already been met by the states within their own borders, that is, the relationship between the state and the many local governments within its borders. At present we play lone hands—one jurisdiction does not know what the other may do—and consequently we have competition where there should be cooperation.

I have not touched on the remedies that you seek. I simply wish to convey to every one of you that we, in the service of the federal government, are keenly aware of the important problems that you face, and that in your efforts you may rely upon the understanding and sympathetic cooperation of the administration.

Speaker Belknap: We are all pleased to have this friendly greeting from the United States Treasury.

Practically all of you know the man who is going to start the regular program on harmonizing the tax systems of the nation, the states, the counties and the cities. It has been my good fortune to be associated, in one way or another, with the Honorable Mark Graves for a number of years. There are few in the nation who have had as much to do with the larger aspects of the tax situation as the Honorable Mark Graves of New York State.

Address by Mark Graves

In a nation like ours—a federal nation—the complications of taxation are inherently great. That is so because we have a federal government and state governments with independent taxing powers. In the early history of the government that was not serious because sources of revenue were separated, except for a short time around the War of 1812, I believe, and the Mexican War. It was not until after the Civil War that the states and the federal government commenced to dip into the same reservoirs for the purpose of satisfying their tax needs. Since shortly after the Civil War that process has been gradually but perceptibly growing. The business depression of 1929 has made its effects ever so much more pronounced than they were before 1929. With a shrunken wealth and a rapidly falling national income, the impact of the tax blow is much heavier on the tax-paying public.

Debt

For several years the federal, state, and local units of government have been spending about fifteen and a half billion dollars a year, of which they were raising about ten billion by tax and borrowing the other five and a half billion. If the President’s financial program is finally enacted, it is predicted that the national debt on June 30, 1936, will be thirty-four billion, and that the state and local debt will probably be another twenty-four, making a combined debt of approximately fifty-eight billion dollars. Not since the fiscal year commencing in 1930 has the federal government balanced its budget. It started out in that year with a deficit of about nine hundred and three million dollars. The President predicts, if his program is enacted, that the deficit this year will be around four billion eight hundred million, and for next year, as
I recall it, about four billion five hundred million, with the result that the debt of the national government will have increased since July 1, 1930, by eighteen billion dollars or more.

The business depression has had its effect on both federal and state finance. First, it has caused revenues to shrink, and second, it has required the governments to spend very substantial sums for unemployment relief and economic recovery, as evidenced by the fact that the federal government proposes to spend this year and expects to spend next year, if the President's advice is followed, approximately eight or nine billion more than the federal government's income.

The federal administration is so planning its finances that it will receive, from ordinary revenue sources sufficient to balance the current operating budget, including debt service, and the deficits will be occasioned by investment in unemployment relief and recovery projects. I am in no sense criticizing the federal administration.

**Separation of Sources**

Now this constant dipping, as I have alluded to it, into the tax reservoir by the federal government, the several states, and the cities, must indicate to you the very great seriousness of the problem. It is not only serious from the standpoint of the government and those who are trying to plan governmental finance, but it is just as serious, if not even more so, to the business man or to the corporation. Unnecessary and unjustified expense is involved in trying to comply with the requirements of the various units of government. Government is compelling industry and business to waste funds in keeping accounts and compiling data for a variety of reports.

The present chaotic condition must be eliminated or both government and business will be facing difficulties far more serious than those with which we are now confronted. These debts which we are negotiating for unemployment relief and recovery purposes are going to make our debt service charges higher in the future. Moreover, as soon as we emerge from this business depression, you will see government continue to expand its activities and enlarge its functions. The inevitable result will be higher taxes and more difficult problems for the taxpayer. Therefore it is desirable to take an inventory of our situation, see in what direction we are heading, where we are likely to land, and what we can do by way of corrective or precautionary measures in mitigating the problem of the present generation and of the generations to come.

**Seriousness of the Problem**

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There are still people who believe that the thing to do is to separate sources of revenue, though the number diminishes every year. Separation of sources worked, prior to Civil War times, but with the federal government needing six billion dollars yearly, with state and local governments needing nine billions, it is impossible to continue dividing the various sources of revenue so that each of these different layers of government will have adequate means of support. Within reasonable limitations, of course, separation is desirable. The states and local governments should retain, as they have, the general property tax, the most productive single tax in the United States today. The federal government should retain customs duties, and I would suggest that the states abandon the entire field of indirect taxation in sales and consumption taxes. Traditionally, the federal government has used those taxes and the federal government can administer them more effectively; at a lower cost, and with less burden on the taxpayer who is now forced to comply with the requirements of a great number of units of government.

Many of you will not agree with me entirely on this point. It would mean that the states would abandon such fields of taxation as the tobacco tax, the motor fuel tax, the beverage tax and other forms of sales taxation. I believe, however, that it is the correct theory. The federal government should not be permitted to retain all of the revenue, but it should be the collecting agency and some reasonable proportion of the revenue should be apportioned to the states and their localities in some acceptable form.

In the case of such taxes as the personal income tax and other taxes of a personal nature, low-rating tangibles, and poll taxes, the federal revenue act should be amended.
to provide for a credit against the federal tax on account of taxes paid to the states or their local units of government. The ideal, of course, would be to have a central collecting agency for such taxes as the income tax, but quite frankly I do not believe that we have as yet progressed to the point where the states can afford to turn over their revenue systems to the federal government. We have not, to put it bluntly if not elegantly, sufficient faith in our federal government and in our Congress to wish to do that.

Methods of Integration

Therefore, although I dislike to see duplicate administration of such taxes, as personal income taxes, corporation income or excise or excess profit or corporate excess taxes, nevertheless I believe it is necessary to retain, at least for the time being, the duplicate administration of those laws, but with a system of credit against the federal tax on account of taxes paid to the states or their localities. That is not a new or original thought. A group of us (the distinguished Speaker of this assembly was in the group) succeeded in securing the 80 per cent credit provision in the federal estate tax some years ago. Almost without exception it will be granted that that device has worked exceptionally well.

There are other methods of securing a measure of coordination, or of relief which might obviate the necessity of trying to integrate the state and local taxing systems with the federal system. One would be a shift or reallocation of the functions of government. The present tendency is to centralize things in the national government, and this trend will probably become more pronounced as time goes on. But I believe it desirable for the states to retain, as far as possible, their present functions. It would be possible, of course, to turn over to the federal government some of the functions now performed by the states. Perhaps the obvious ones would be a portion of the highway system or a portion of the educational system, but I doubt if even a small number of the men here would say that such a program would be a sensible one.

A number of people advocate a plan of the division of fields of taxes. I have included to such a plan in a general way. Some think that it would be better to have the federal government collect such taxes as the personal income tax, the corporation tax, the liquor tax, sales taxes—in fact, any kind of a tax where it is desirable to have a uniform rate throughout the entire country. To me, that plan is objectionable because it places the states and their localities at the mercy of the federal government. The time may come when such a step is desirable and necessary, but I am convinced that the time has not yet arrived.

Still another method has been suggested, that of state supplements, which, put simply, would mean that the federal government would administer the personal income tax or the corporation tax, but at the request of a state it would add to the federal rate some additional rate which the state desired to have applied—the revenue received to be turned back to the state. I doubt if that would meet with the general approval of the American people today.

New Federal Revenues

It will occur to some of you immediately, and probably you have been wondering how I was going to get around it, that if the federal government should consent to credit against the personal income tax or the corporation tax, a substantial sum on account of such taxes paid to the states—the federal government, already financially embarrassed, would have to find money somewhere else. Well, naturally, you want to know what I think about that and what program I would advocate. First, I believe that in America we have imperfectly developed our personal income tax and our inheritance tax. England, with a hundred years of experience, has made refinements in its system which I think are far superior to American provisions. Refinement of tax methods would make up much of the revenue which the federal government would lose under the plan I am proposing.

We exclude from the federal personal income tax, dividend income, for purposes of the normal tax. Dividend income could be taxed along with other income of the individual. If that were done it would very materially increase the yield of the federal tax, with no change in rates and
It is highly desirable to have the federal and state constitutions so amended that interest income from tax-exempt securities shall not escape taxation. If that were done, the productivity of the federal income tax would be greatly increased. So, too, with the official salaries of both federal and state and local employees. There is no particular reason why I, as a public official, should receive a salary from the state of New York which the federal government has no right to tax. I believe it is an unjust discrimination against a man like Professor Haig who works for Columbia University, and who must pay a federal income tax on his salary.

Even with the changes in the income tax laws of the federal government—which will be delayed by constitutional limitations, and perhaps affected by political consideration—it may not be possible to secure, immediately, an increase in federal revenue sufficient to overcome these credits which should be allowed to the taxpayers of the various states. Therefore, it is my reluctantly formed opinion that it is desirable for the federal government immediately to enact a general sales tax, which will operate uniformly over the country.

Experience with the New York sales tax leads me to believe that sales taxation is not suited to state use. It operates with varying degrees of success, depending upon the geographical location of the state and the rate of the tax. Any such tax law is undesirable from the state viewpoint. But if a sales tax should be laid upon all business and all commodities on a nation-wide scale, there could be no competition between the various states.

Some such plan as this is necessary in order to aid and to promote recovery from this business depression.

Speaker Belknap: We are now to be honored by a talk from a man who has been associated with the financial interests of the state of Massachusetts for a long time. I want to introduce Mr. Henry Long.

Address by Henry Long

Harmony, it seems to me, cannot possibly be introduced into our tax system. The differences existing between the various taxing units of government—which must necessarily continue to have the power to tax—cannot be made to harmonize.

It appears to me that, if we thought in terms of the taxpayer being like a cow, anxious to give up her accumulated milk, we could probably arrive at harmony. Though I am not a farmer, I assume that cows are grateful when they are relieved of their milk. If taxpayers were similarly situated and if a herd of taxpayers, like a herd of cows, could enjoy being relieved of the accumulated fluid, they would no doubt desire harmonious treatment and would not care particularly what distribution was to be made of the nutriment of which they had been relieved.

I do not assume, however, that taxpayers are of this character, and unfortunately our government is not based on the principle of getting the milk first and dividing it afterwards, but on the principle of distributing the benefits in anticipation of an abundant milk yield. If there is not sufficient number of animals ready to be relieved of the milk which has been accumulated, or not enough milk has developed, we assist by separating them from the milk which they are about ready to give up, and frequently finding that there is not sufficient to meet demands—seek to supply the deficit by using the cow herself in satisfaction of the benefit given or promised.

It does not seem to me that we should necessarily favor some particular unit of government because it has developed a glorified system of spending. After all, I cannot disassociate the individual from the governmental unit and must always think of our government as subsisting entirely upon what it gets from the people. Believing this, it seems to me that we must think in terms of the individual and not in terms of spending for the benefit of the individual.

I do not get the so-called federal viewpoint. It may be that I am sufficiently out of date to have been conveyed here in a stage coach instead of the modern methods of transportation. It is my assumption that money expended by government is not money borrowed with the security of what is happening or going to happen, but rather money derived from credit which has been built up over a long period of years.
I have heard no one suggest that present ability to borrow money has anything to do with the promise of additional revenues on the morrow. But I think all are in general accord that the credit upon which we have been able to borrow has been the growth of years. Our government has gained confidence by exemplifying in the governmental units the principles which establish a firm foundation for individual credit. It would seem, in consideration of these problems, that while the idea may be old-fashioned, a restoration of the New England thought of a town meeting, where everyone joins in the determination of what should be spent in a governmental way, deserves some attention. The town meeting attendants had full knowledge that in proportion to ability to contribute, the citizens would be able collectively to bear the cost of particular services.

If it is true that there need be no concern with respect to the sources of revenue, the assumption that sources will take care of themselves, then we can think in terms of spending rather than in terms of revenue production. If, as I believe, we must give more thought to the development of our revenue sources, then it must follow that spending shall not come until after there is a definite determination about sources of funds.

We may be able to go back to the days when everyone was compelled to say just what was to be appropriated and thus indicate just what he should pay. In an adjustment of tax sources there surely should be some relation between the service that is rendered and the revenue source from which the funds are taken. It will be found that the bulk of governmental services must be expended in the immediate neighborhood of the person benefited. It would seem to follow that the community where the money is spent should determine the appropriations and pay for them.

If what we need to concern ourselves with is primarily the ease of tax collection, then unquestionably the centralization of such collections would be ideal, and the farther away we keep the paying and spending, the more free can be the spending. But bound up with our collection activities are the requirements of government which come from the individual to whom ultimate resort must be had in order to maintain and carry forward the services, unless of course some other source than the individual is to be found with inexhaustible ability to furnish funds.

There are, it seems to me, direct connections between the tax money paid and the particular service that is performed. The people all over this country organize groups on the thought that, collectively, they can do much more for the individual than individual initiative itself can do, and do it much more cheaply. I am not surprised at the number of our various governmental bodies, because it is manifest that groups within groups are finding things which they can do to mutual advantage but are not willing to entrust to a larger central body to do. When one spends his own money he is ordinarily seeking real advantage.

Federal-State Distinction

It must always be borne in mind, as between the federal and state governments, that the state governments have absolute control over their own tax structures and those of their political sub-divisions. There are forty-eight constitutions. There are almost forty-eight different lines of thought; and, while the, atmospheric lines do not separate our people as much as they did formerly, there are, nevertheless, distinct sections of this country which are far apart in thought and needs from other sections of the country. It probably is true that no state would desire publicly to express its inability to function as a state, nor to tell the world that its political sub-divisions could not operate along established lines because sufficient revenue was lacking. All want to appear capable of having the best government. That thought has led us into dangerous paths. We must not overemphasize the theory that services must be supplied irrespective of the ability to obtain revenue. We should, it seems to me, first emphasize the need of revenue, not by eating our seed corn but by so developing our sources as to have funds from all, but only in moderate individual amounts.

The states and their political sub-divisions can arrange for taxation in the particular territory in which the service is to be performed; whereas, the federal
government, having a distinct sphere, should
only resort, for revenue; to those things
which are strictly within federal control.

The states created the federal govern-
ment. Wisely or unwisely they gave to the
federal government the right to do certain
things, including the raising of revenue.
The states, however, retained the govern-
mental powers which we regard as more
personal in nature, but gave up a number
of the sources upon which they could not
hope to rely in the future for revenue. The
individual ultimately must rely upon his
own individual community just as that com-

munity must ultimately rely upon the in-
dividual for its maintenance.

The states and their sub-divisions can
usually make clear to the taxpayer the form
of service which he obtains from the tax
dollar. There is a direct relationship be-
tween the power to furnish that service and
the actual performance of it.

The federal government unquestionably
has a definite field, but its relation to the
individual must always be quite remote.
It has the tariff as an exclusive source of
revenue. It can lay a tax on interstate
commerce. It can lay taxes, without injury,
on nationwide commercial activities through
sales or other taxes—such as one which
might be levied upon a manufacturer or a
wholesaler.

The states can not lay a tax burden on
the manufacturer or the wholesaler, because
that would place him at a disadvantage in
the markets of another state. The federal
government, by levying a tax on the manu-
facturer or the wholesaler which would be
uniform throughout the country, could lay
such a tax without creating any particular
embarrassment.

The states, however, should exercise the
right to lay a tax on their people so that
all persons would know what they were
contributing to the cost of government. So
long as the people are protected by the
knowledge that the federal government can
tax where it is constitutionally or otherwise
legally impossible for the states to impose a
burden, definite harmony would come be-
cause the entire tax burden of the individual
would be established.

It is clear that the states or their politi-
cal sub-divisions could lay a tax on prop-
erty by reason of jurisdictional control over
the property, and the domicile of the citi-
zen owning the property would be sufficient
to permit a compulsory tax contribution. It
might be, in addition to a tax on real prop-
erty, that a privilege tax or a retail sales
tax would make it impossible for any in-
dividual to escape direct taxation. Being
subject to direct taxation the citizens then
would be certain to be conscious of expendi-
tures, and could curtail them to bring them
within the scope of ability to pay.

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would be certain to be conscious of expendi-
tures, and could curtail them to bring them
within the scope of ability to pay.

The harmony that I visualize in federal,
state, city and county taxes is not that
which would grow out of a central body
collecting what could be more easily ad-
ministered centrally, but rather a harmony
expressed only in the spending of money in
proportion to the ability of a taxpayer to
contribute, and all with full and complete
knowledge of the individual. The tax col-
lection could be made so immediate and
effective as to let everyone sense that the
benefits he was receiving from government
were coming out of his own pocket, or that,
being incapable of supporting himself, his
fellows were carrying their load and his as

well.

If the responsibility of the individual to
contribute his share of the tax burden can
be restored, we are likely to get a restora-
tion of the early thought of our people,
and a consequent reduction in the cost of
government or at least a readjustment to
the capacity of the people to support it
without raiding the future.

We are very reluctant to spend govern-
mental funds, if it is our money, without
foreseeing and approving the services for
which they were requested. The experi-
ence of the last few years has been that
practically all of our attention was given
to the matter of expenditure. Many of our
citizens have been taught to expect much
from government without at the same time
being taught that government cannot exist
without their support. If we can re-
establish the responsibility of the individual
we can probably bring the costs of govern-
ment within the abilities of our people to
pay.

SPEAKER BELKNAP: There are few men
in this country who know more about taxa-
tion than Professor Haig of Columbia,
and very few who can put their thoughts
into words as clearly as he can. Former
President of the National Tax Association, and an eminent authority in this field—I take great pleasure in introducing Professor Haig.

ADDRESS BY ROBERT MURRAY HAIG

Nearly forty years ago a few far-sighted economists, including Hadley, Adams and Seligman, began to warn of the dangers implicit in the attitude of “stolid unconcern” which, from the beginning of the Republic, had characterized the financial relations between our federal and state governments. However, it was not until 1932 that criticisms and complaints assumed impressive proportions. In that year, with rather dramatic suddenness, a vociferous but not entirely harmonious demand for change arose from many different sources: from financial officers, both state and federal, from governors and presidents, actual and potential, from legislators of every political complexion, from businessmen, large and small, and from self-appointed guardians of the public welfare, both academic and secular. Almost overnight the traditional attitude of “stolid unconcern” changed to one of alarmed solicitude.

Tax Reform and the States

It was at this juncture that the First Interstate Assembly devoted its session to a discussion of the relations of federal to state and local taxation and took the significant step of establishing the Interstate Commission on Conflicting Taxation. Two years have elapsed and the Second Interstate Assembly is now gathered to receive a report of that Commission. From the able memoranda prepared by its technical advisers, Professor Heer and Professor Martin, we already know that the Commission has attacked its task with vigor and intelligence. It has sought to analyze the practical implications of some of the more promising specific suggestions and to indicate, as clearly as the available data will permit, the directions in which the material interests of the various states lie. Presumably its report will suggest some basis for harmonizing those interests. Only too obvious are the difficulties faced by the Commission as it attempts to formulate a positive and constructive program which will be acceptable to forty-eight individual states, each with its own particular set of special interests. Its report is eagerly awaited by every friend of our federal form of government in the hope that it will demonstrate that at last there has been evolved a mechanism adequate to the task of dealing with problems of common concern to all the individual states.

The Federal Government and Private Business

In national circles there have been significant developments also. Following the lead of the Congressional committees, the Federal Treasury has taken steps to study the problem from the point of view of the interests of the national government and to formulate a program of reform which will properly safeguard those interests. In a letter addressed to this Assembly, the President of the United States predicts that this Treasury study will presently “furnish the basis for discussion of the problems involved with representatives of the states.”

Moreover certain of the associations of businessmen, instead of confining their activities to general protest and vague complaint, have undertaken to gather dependable evidence regarding the operation of the present federal and state taxes as they affect their interests. Symptomatic of this development is the recent decision of the American Management Association to secure from its members specific accounting data showing what it is actually costing the taxpayers of the country to comply with the existing tax statutes and what might be saved by the elimination of duplicate administration of the same types of tax.

Finally, the discussion of the problem has now advanced to a point where proposals are beginning to receive the advantage of serious attention from conservative critics. Assumptions are being challenged, evidence is being demanded and attention is being directed to factors which, it is
claimed, have been ignored or underemphasized. The recent reports of committees of the National Tax Association are examples of this type of criticism.

As the result of these developments of the last two years, the phrase "alarmed solicitude" is no longer truly descriptive of federal-state financial relations. Sober study and analysis of the problem is now the order of the day. More or less formal negotiations between the federal authorities and representatives of the states are apparently imminent, negotiations designed to substitute a regime of helpful cooperation and intelligent articulation of taxation for the discredited policy of mutual "stolid unconcern."

As the movement passes into this new stage of negotiation between representatives of the federal and state governments, it may be helpful to review briefly the general situation as it stands today with particular reference to the completeness of our knowledge of the facts regarding the faults of existing arrangements, the status of opinion regarding the character of possible modifications and the adequacy of existing facilities for arriving at wise decisions regarding the policies to be followed in seeking a solution.

The General Situation

Certainly the dissatisfaction with the existing arrangement is widespread and is still growing. Moreover if no positive action is taken, the dissatisfaction is not likely to decline perceptibly even with the return of more prosperous times. Heavier, rather than lighter taxation is in prospect for a long time to come. However, the complaints arise in large part because of the inability or unwillingness of the states, acting independently, to solve the problems of interstate apportionment of tax bases and of harmful interstate competition, resorted to with the purpose of attracting taxable subjects. Will the states, without federal action, continue their record of failure in dealing with these problems? It is true, of course, that some of the difficulties complained of cannot be met without positive federal action. The existing discrimination in favor of interstate commerce under retail sales taxes, and to some extent under other types of tax, is an illustration. But much of the dissatisfaction would disappear if the states should develop a reasonable capacity to cooperate.

If intelligent decisions are to be reached regarding changes in the existing arrangement, it is very important to know how substantial the grounds for complaint really are. In some instances investigation would reveal at least the general order of the magnitudes involved. How great are the costs both to the public agencies and to the taxpayer of duplicate administration of the same types of tax? Is the sum involved fifty millions or five hundred millions? Studies already under way should supply an answer to this question but at present no one knows. What is the extent of the evasion and unjust double taxation caused by the failure of the states to adopt uniform rules for the allocation of tax bases? No one knows. How great is the avoidance of state taxation traceable to the commerce clause and how serious is the resulting discrimination against intrastate commerce? Again no one knows, but it should be possible to find out fairly definitely. Certain other questions regarding the grounds for criticism of the present arrangement cannot receive quantitative answers but it should be possible to gather evidence which would be very valuable in forming a judgment. Thus, are the states really seriously crippled and embarrassed in their attempts to plan their finances? Does the existing situation actually result in a mal-distribution of industry? Are the combined federal and state rates upon a single base really oppressive in many cases? Who today has a really informed opinion on these points? Obviously the task of gathering facts and of sifting evidence must be carried much further before final judgment can be passed upon the validity of the complaints against the existing system.

Changes Proposed

Turning to the proposals for change, one is confronted with an even greater mass of unfinished business. During the last three years proposals have been advanced covering practically the entire range of possible courses of action. For the most part the discussion is still in a preliminary state, characterized by haphazard and immature suggestions. Only a feeble beginning has
been made with the task of analyzing the implications of the various suggestions for reform. As yet there has certainly been no crystallization of sentiment in support of any definite and comprehensive program of reform. Various groups are exercised regarding particular shortcomings in the existing arrangement and are making suggestions regarding steps to correct these particular abuses, but with little or no reference to the relationship of these proposed steps to each other or to any general plan. Many of those who are most active in the agitation for reform have not yet come to appreciate what fundamental changes in the American federal system may require consideration before a satisfactory solution of the problem can be evolved.

It is not sufficient to prepare tables showing how much money each state would gain or lose through the selection of one method as compared with another method of distributing the yield of a federal income or sales tax. Many factors other than immediate financial results are involved. Some of the most important factors are the least obvious. Thus there are those who call attention to the size of the country and to the wide variation in conditions from section to section and who contend that it is dangerous to impair in the slightest degree the power of the individual states to adapt financial policies to local conditions. What weight should be given to this contention? On the other hand, there are many who sympathize with the position of the Australian Royal Commission on Taxation, which in the course of its discussion of this question of invasion of states' rights declared: “The main consideration to which all other considerations should be adjusted is the sovereign right of the . . . taxpayers to have the mechanism of taxation designed and controlled so as to impose the minimum of inconvenience and involve the minimum of cost.”¹ What weight is to be given to this view? There are those who claim that the alleged superior efficiency of centralized administration is a delusion and who assert that Congress is already so overburdened as to be practically impotent and the executive departments already so large as to be slow and clumsy. What are the facts on these points? Many believe that politics will inevitably enter into the formulation of any plan of distributing federal tax revenues among the states, that such distributions inevitably develop into wasteful subsidies, accompanied by federal supervision and regimentation, and they contend that our form of representation in the Congress is not calculated to secure the adoption of sound distribution arrangements. Before turning over the administration of state taxes to the federal treasury, they insist, the basis of representation in the Senate must be changed. Who is to appraise this danger and decide whether the situation is so serious as to require the far-reaching changes in our governmental structure here suggested?

I speak as a friend, not as a foe of reform in federal-state tax relations. Such evidence as I have been able to gather raises a presumption in favor of the position that the complaints against the existing arrangements have a substantial foundation. Such analysis as I have been able to make of various possible alternative arrangements reveal several which appear to me to be definitely superior to that which now obtains. But I am convinced that the evidence already gathered and the analysis already made are insufficient to serve as a foundation for the formulation of a comprehensive new plan of federal and state taxation which can be recommended with confidence and defended with success. Let us not fall into the error of thinking that, because progress has been made, the task is finished. Let us see to it that, in carrying forward the task toward completion, the country be given the assistance of the judgment and advice of the most competent and promising agency which can be made available.

A National Commission

What the recommendations of the Interstate Commission on Conflicting Taxation are to be is not known to me, but I express the hope that there will be included a recommendation in favor of establishing an impartial, disinterested commission of the highest possible dignity and standing, to represent neither the states, nor the Treasury, nor the President, nor the Congress,

¹ Royal Commission on Taxation (Australia), 1920; quoted in II R. C. T.: 2 (1932), p. 64.
but the people of the United States. This proposed commission should address itself to the formulation of policies. It should not be a negotiating or administrative body. It should investigate and deliberate. It should be a very small body. Five members would be a desirable number. Personally I should prefer three. Australia in 1932 entrusted a similar task to a Royal Commission of two, the Chief Justice of one of the states, and a distinguished accountant. Disregarding all questions of availability, I would suggest as the three ideal members—Charles Evans Hughes, A. Lawrence Lowell, and Edwin R. A. Seligman. Certainly no active politician should be a member and no attempt should be made to apportion seats on the commission so as to secure representation of political, governmental, sectional, or economic interests. It should invite the submission of testimony from every competent source and should publish the evidence in full. It should also be provided with technical assistance for prosecuting independent studies on its own initiative.

The problem, then, despite its superficial appearance of simplicity is a very complicated one. Its legal, economic and political ramifications are numerous and important. It is a problem whose very nature demands and whose importance deserves the sustained and concentrated attention of a disinterested national commission made up of men whose intelligence and judgment commands the complete confidence of the public. The country should not be asked to give a series of decisions on specific proposals which are unrelated to any general plan. It has the right to request that it be furnished with a blueprint of what such a commission, in the light of its analysis of all the factors, considers the wise general program. If we are to be asked to amend the Constitution with respect to the basis of representation in the Congress, with respect to restrictions on the taxation of interstate commerce or with respect to the scope of the functions of the national government, we should be asked to do so by such a commission and not by any group with a sectional or political interest at stake. Before such a commission all could lay their evidence and the results of their thought and analysis—Interstate Commission, the Treasury, dissenters, and critics—and ask for a considered judgment and evaluation.

The next step in the reform of federal-state relations is the establishment of a national commission—a commission in excelsis, to represent no one in particular but all of us in general. “We, the people of the United States” stand in need of guidance and counsel which can apparently be supplied so well in no other way. May the event prove that our political leaders have the insight to appreciate the richness of the opportunity and the need for prompt action. May the event prove that we have among our national resources a few men worthy of the appointment as commissioners. May the event prove that we in America have the character and intelligence to utilize successfully this venerable Anglo-Saxon institution which we have in the past so often abused.

SPEAKER BELKNAP: I am now going to ask the secretary of the conference to call the roll by states.

There followed the roll call by states

SPEAKER BELKNAP: I should like to read to this Assembly, as I think it is only fitting we should, a letter from President Franklin Roosevelt pertaining to our meeting here. I suppose most of you have read it, but some of you may not have done so, and when the President deigns to write to us we should certainly give consideration to him. (A facsimile appears on page 314)

Introduction of Governor Miller

SPEAKER BELKNAP: I would appreciate it if Governor Miller of Wyoming would come forward in order that we may welcome him to our assembly. Governor Miller, it gives me great pleasure to introduce you to the members of this Second Interstate Assembly. Your problems as governor, and the problems of the other governors, usually filter through to us legislators, and our problems sometimes cause you considerable trouble. We would like a word from you.

HON. LESLIE A. MILLER: I have no particular message to convey at this time except that I am very glad to participate in this meeting. It is going to be very beneficial indeed for the members of this As-
My dear Mr. Toll:

I write to express my own very earnest hope that the Second Interstate Assembly to be held in Washington February twenty-eighth to March second, will be successful in its approach to and solution of the important problems it meets to consider.

It is apparent, I think, to all students of government that there is urgent need for better machinery of cooperation between Federal, State and local governments in many fields. Both the Congress and the executive departments of the national government are constantly confronted with problems whose solution requires coordinated effort on the part of the States and the Federal government. Two notable instances are the coordination of law enforcement and the interrelation of fields of taxation. This latter question has long seemed to me one of prime importance. Only recently I directed the Secretary of the Treasury to undertake a study of sources of taxation, with particular reference to the matter of conflict or overlapping of Federal, State and local taxation. When this study is complete it should furnish the basis for discussion of the problems involved with representatives of the States.

I shall follow with the greatest interest the proceedings of the second Interstate Assembly, with the hope and expectation that many constructive ideas will be developed as to means for perfecting and strengthening the relations between the State governments and the national government in the disposition of the problems in which both States and nation are vitally concerned.

Very sincerely yours,

[Signature]

Mr. Henry W. Toll,
The Interstate Assembly,  
Drexel Avenue and 58th Street,  
Chicago, Illinois.
The state assembly to confer together. The states have many problems in common and it is certainly desirable that we come together in such a meeting as this, as frequently as possible.

I am glad the management of the Assembly has provided this opportunity and has so arranged things that the representation here is so generous. I hope to meet many of you personally during the period of the Assembly and, for the time being, I simply say that I wish the Assembly every possible success.

Remarks by the Speaker

SPEAKER BELKNAP: It may interest the Assembly to know that last summer there were held, in France, two different meetings of administrative officials of government. Those meetings were of international associations and there were at least two representatives from America there in addition to delegates from France, Germany, England, Italy and most of the other important nations of Europe. Now here is the interesting thing! Each nation went to that conference of administrative officials—one conference was of central or federal government officials, and the other was of local government officials—each thinking that their particular nation had a very peculiar problem. Our Americans thought that our conflict between federal, state and local governments in our tax systems, and in all the other fields, was peculiar to the American form of government, and that what might be called the breakdown, certainly the inadequacy, of present governmental machinery was peculiar to America. When they got there they found every other nation had its own peculiar problems and all the peculiar problems were the same, whether they were under a Mussolini or a Hitler or under France or under England. They came to this very interesting conclusion, that the changes in modern life, principally the changes in transportation and communication, had so changed the whole set-up of government that all the nations are facing the same difficulties. They asked for the appointment of a committee composed of two factions, the central government and the local governments, to meet and see how they could work out these frictions that exist, apparently, in every nation.

I state that because every man who has spoken from this platform this morning has noted these changes in government and has expressed the feeling that ours is a peculiar problem, that there is something in our government that is wrong. But to my mind it is a change in the work, it is a change in the life of the nations. We have come to the point where we must overhaul the machinery to meet changes in the environment, and I think that is the problem we must discuss this afternoon, tomorrow and Saturday. I think if we get it in our heads that Providence hasn't visited any particular plague upon us in the United States but that the whole world is going through this same struggle to adapt governmental machinery to modern conditions, we may be able to work with more intelligence.

The meeting adjourned at 12:05 p.m.
Thursday Afternoon Session

February 28, 1935.

The meeting was called to order at 1:50 p.m. by Speaker Belknap.

Speaker Belknap: Those of us who were at the First Interstate Assembly will remember that the conference was called for the primary purpose of tackling the tremendous job of conflicting taxation. You will recall that after considerable discussion, the Chair was asked to appoint an Interstate Commission on Conflicting Taxation. That commission has been working for two years.

We have been very, very fortunate in being able to get the services of Senator Seabury Mastick of New York as Chairman of the Commission. I don't suppose there is a man in the United States who has had more experience with state finance from the legislative point of view than Senator Mastick, nor will you find a better chairman of a committee or a commission.

This commission has served faithfully and I want to thank them personally for the work they have done.

Two men have served as the professional advisers of this Commission, Professor Heer of the University of North Carolina who started off the work and Professor Martin of the University of Kentucky who took up the work last summer. I think you all have before you the report that Professor Martin has helped to prepare, along with the Chairman of the Commission. These two men have worked hand in hand and have brought out data of which I think we should all be proud.

Before we hear the report of the Commission, I want to call on Mr. Morrissett, State Tax Commissioner of Virginia, who is to preside at this meeting. I take great pleasure in introducing to you, the presiding officer for this afternoon, Honorable C. H. Morrissett of Virginia.

Mr. Morrissett took the chair.
The meetings have been varied in character. In some instances the Commission has considered at length problems of organization and procedure and in others specific proposals for tax reform, generally in the light of research reports which had previously been placed in the hands of the Commission members. The members and the research staff, for the most part, have met privately; but occasionally certain other consultants have been invited.

Acting under the authority of the Interstate Assembly resolution, the Commission has conducted certain negotiations with members of Congress, particularly with the leaders of the House Committee on Ways and Means and the Senate Finance Committee. The chairman and the secretary of the Commission presented the Commission's viewpoint on gasoline and liquor taxation to the Committee on Ways and Means. On another occasion the Commission met jointly with members of the two congressional committees and with persons representing the administration to discuss the entire problem of conflicting taxation and to make known to the federal representatives its viewpoint on specific questions. Following the negotiations, Chairman Harrison of the Senate Finance Committee showed a cooperative viewpoint by appointing a subcommittee on Double Taxation. His Finance Committee also adopted the statement in a report of the Senate Finance Committee that, "This committee is of the opinion that the gasoline tax should be reserved for the states after June 30, 1934." (73rd Congress, First Session, Report No. 58, p. 1.)

The staff of the Commission has maintained contact continuously, but informally, with individuals responsible for federal and state tax policy. In the case of the federal government this includes the Joint Committee on Internal Revenue Taxation, the congressional subcommittees on double taxation, the personnel of the Treasury Department, and individuals in other branches of the administration concerned with taxation.

The Commission acknowledges the cordial cooperation of federal and state administrators and lawmakers. It is particularly indebted to the staff of the Joint Committee on Internal Revenue Taxation; to the Chairmen of the Committee on Ways and Means and of its subcommittee on double taxation; and to President Roosevelt, who wrote a letter endorsing the objectives of the present Interstate Assembly.

Shortly after its appointment the Commission engaged Professor Clarence Heer of the University of North Carolina as its research director. Mr. Heer, together with the staff of the American Legislators' Association, carried on the office activities of the Commission until May, 1934. During the summer of 1934 the only staff activities were those of a secretarial character, conducted by the permanent staff of the American Legislators' Association.

Beginning September 1, 1934, a research staff directed by Professor James W. Martin of the University of Kentucky was organized. In addition to Mr. Martin and the permanent staff of the American Legislators' Association are Hershal L. Macon and John Akers, research associates; Mary Ada Honey, secretary to the research director; and Dorothy Diemer Thompson, stenographer. The staff has conducted the general secretarial work of the Commission and has also engaged in research activities, the general character of which is indicated by the following list of research reports and articles in State Government.

Research Reports

Is the Interstate Commission on Conflicting Taxation Worth Its Salt?
Elimination of Tax Conflicts
Fiscal Coordination through Intergovernmental Agreement
State-Shared Federal Sales Tax
Pertinent Statistical Data Relative to Various Proposals for Reducing Tax Conflicts
Coordination of Federal and State Tobacco Taxation
Problems Preliminary to a Study of Conflicting Income Taxes
Sales Taxation: State vs. Federal
The Corporation Income Tax and the Crediting Device
The Personal Income Tax and the Crediting Device
State Income Tax Policy in the Light of Experience
Articles in State Government

"Conflicting Taxation," February, 1933.
"Interstate Commission," May, 1933.
"323 Conflicts" (table). May, 1933.
"Report on gasoline, tobacco, liquor and electric energy taxes, July, 1933.
"Report concerning Recommendations for Taxation of Alcoholic Beverages, November, 1933.
"Splitting the Liquor Taxes," December, 1933.
"Federal-State Liaison," (Recommendations to Ways and Means Committee and Senate Finance Committee), January, 1934.

Besides these formal reports and discussions, the staff has prepared approximately forty brief statements regarding the activities and recommendations of the Commission.

To develop interest among college teachers and to secure assistance from them, the staff of the Commission organized an Advisory Committee of college and university professors in the autumn of 1934. The members of this committee have aided by offering constructive criticisms and suggestions. Several of their suggestions have materially influenced the work of the staff, and some have been referred to the Commission membership.

II. Recommendations for Immediate Action

At the end of its first meeting, held on March 24 and 25, 1933, the Commission adopted a report summarizing provisional recommendations pending further investigation. In the first place, it recognized that conflicting taxes imposed by the federal government and the various states result in distributing the tax load inequitably and, in the second, that overlapping and uncoordinated taxation places an unreasonable burden on business and industry and constitutes a problem calling for immediate action by federal and state legislative bodies.

On the basis of these findings and of research work carried on by the staff of the Commission, the following recommendations have been approved during the past two years. These proposals look to immediate action which can be taken in the interest of better coordination of state and local tax plans.

1. Gasoline Taxes

Since Congress has declared that the federal tax on gasoline was levied only as a temporary expedient on account of the emergency, the Commission urges the federal government to relinquish this source of revenue for the exclusive use of the states at the end of the next federal fiscal year, namely June 30, 1934.

2. Tobacco Taxes

Thirteen states now have taxes on tobacco, and many other states are seriously considering levying such taxes. If the states continue to impose additional levies on tobacco products, the return to the federal government from this source of revenue will be further diminished. Since any material increase in these taxes during a period of depression will decrease the amount of tobacco consumed, such increase will adversely affect the producer as well as the manufacturer. Accordingly this Commission recommends that no additional tobacco taxes be adopted by the states for revenue purposes.

3. Electrical Energy Taxes

Since the conditions of the manufacture and distribution of electricity vary so widely from state to state, this Commission recommends that Congress should leave this source of revenue for the exclusive use of the states. The states have long depended on the taxation of electric utilities, whereas the federal government has just entered the field.
4. **Beer Taxes**

Congress has already levied a heavy tax on beer. Substantial additional taxes on this beverage, or heavy license taxes on its distributors, levied by the states or by their political subdivisions, will diminish the federal tax revenues. Therefore, the Commission recommends that the states, municipalities, and other local units of government refrain from levying heavy taxes on beer, except for regulatory purposes.

5. **General Sales Taxes**

At its first meeting the Commission recognized the significance of the general sales tax movement and directed its staff to conduct an investigation. Later the following resolution was adopted.

**PREAMBLE:** We are confronted with a situation in which many of the states are being embarrassed in the administration of existing sales taxes; therefore

"Without passing on the merits of either state sales taxes or federal sales taxes, or of other taxes of similar characteristics, and without passing upon any possible allocation of these sources of revenue at a later date; be it hereby

"Resolved, That this Commission favors the enactment by Congress of the so-called Harrison Resolution as now amended."

This measure reads as follows: All taxes or excises levied by any State upon sales of tangible personal property, or measured by sales of like property in interstate commerce, by the State into which the property is moved for use or consumption therein, in the same manner, and to the same extent, that said sales or excises are levied upon or measured by sales of like property not in interstate commerce: Provided, That no State shall discriminate against sales of tangible personal property in interstate commerce, nor shall any State discriminate against the sale of products of any other States: Provided further, That no State shall levy any tax or excise upon, or measured by, the sales in interstate commerce of tangible personal property transported for the purpose of resale by the consignee: Provided further, That no political subdivision of any State shall levy a tax or excise upon, or measured by, sales of tangible personal property in interstate commerce. For the purpose of this Act a sale of tangible personal property transported, or to be transported, in interstate commerce shall be considered as made within the State into which such property is to be transported for use or consumption therein, whenever such sale is made, solicited, or negotiated in whole or in part within that State.

6. **Liquor Taxes**

The Commission adopted the following resolution at the time the Eighteenth Amendment was repealed and prior to any federal legislation.

"Resolved, That it is the sense and the recommendation of the Interstate Commission on Conflicting Taxation:

1. That the social implications of the repeal of the Eighteenth Amendment greatly outweigh in importance the revenue aspects of repeal.

2. That the taxes on alcoholic liquors, as well as the taxes and license fees upon the traffic in such liquors, should be so devised as to promote temperance, and at the same time to discourage illicit trafficking in such beverages.

3. That there is grave danger that if both the federal and the state governments, without regard to each other, impose taxes or other imposts on these commodities, or upon the traffic in them, the combined load of taxation will become so heavy as to defeat the foregoing objectives.

4. That volume taxes, or so-called gallonage taxes, whether direct or indirect, should be imposed upon liquor by the federal government only, and only at a moderate rate.

5. That the rate of the volume tax should in no event exceed three dollars per gallon on spirituous liquors, and that the rate of taxes on beverages of lower alcoholic content should be correspondingly lower.

6. That of the combined gross revenue from the liquor traffic, derived by the federal and state governments from all sources, one-half should inure to the benefit of the states and their localities, and the remaining half should be retained by the federal government.

7. That in applying the principle which is stated in the preceding paragraph in the case of those states which adopt the state stores plan or other form of state liquor monopoly, there should be substituted for gross revenue as defined in that paragraph, the actual profit derived from state liquor transactions.\(^2\)

\(^2\)If the federal government should prefer a system which would avoid any occasion for auditing state accounts, it could establish a fixed allowance for selling costs, based upon a percentage of the gross sales or upon a percentage of the cost of the liquor to the state.
8. That the federal government should ascertain its total gross revenue from the liquor traffic derived from all sources, and divide that amount by the total population in all the wet areas in the United States, thus establishing the federal per capita. Similarly each state should ascertain its total gross revenue, including both state and local proceeds, and divide that amount by the total population in all of the wet areas in the state, thus establishing the state per capita. In the case of each state, the state per capita and the federal per capita should then be added, thus establishing the combined per capita for that state. The state's minimum share should be one-half of the combined per capita. Accordingly, the federal government should make payments to each state which contains wet areas, in accordance with the following formula:

Ascertain one-half of the combined per capita.
Subtract from that amount the state per capita.
Multiply the difference by the number of the total population in all of the wet areas in the state, thus arriving at the amount to be paid by the federal government to the state.1

9. That revenues from spirituous liquors which are sold for medicinal purposes should not be included in the foregoing computations, but should be separately handled, in accordance with the above stated principles, but in accordance with the method stated in the following paragraph.

10. In the case of each state, the federal government should compute the amount of revenue which the federal government derives, by taxation and licensing, from the sale of liquors for medicinal purposes in that state, and also the amount which the state derives from such licensing and taxing, total the two amounts, and pay to the state such amount as will give it not less than one-half of the total.1

It would be possible for any state to enter into a similar arrangement for sharing the proceeds of liquor revenue with its local units of government at any agreed ratio.

Repeal will shift much of the cost of supervision from the federal government to state and local governments, and therefore their share of liquor revenues should be liberal.

At its meeting in May, 1934, the Commission adopted the following resolution.

7. Federal Commission

"Resolved, That the Interstate Commission on Conflicting Taxation, on its own account and on behalf of the American Legislators' Association, respectfully requests and petitions the President of the United States to appoint a Commission, of such number as in his judgment seems best, to study and report on the allocations of functions of government between federal, state, and local jurisdictions, and on the coordination of federal, state, and local revenue systems in such a way as to secure the most equitable distribution of the aggregate tax load, and such other related problems, if any, as may seem to him desirable for study."

This resolution embodies the same purpose as that contemplated by the proposal, offered at the end of this report, for a Tax Revision Council. It is the Commission's view that the resolution as incorporated in the preceding paragraph should receive no further consideration. It proposes, on the other hand, that the more mature plan suggested below be approved.

8. Commission Plans

The Commission has worked out a program of investigation which contemplates checking all recommendations that have heretofore been made, together with certain others still to be investigated, against state and federal revenue statistics, in order that it may know the fiscal consequences of each plan for reducing tax conflicts. In general it is believed that any successful plan for legislation must be piecemeal in character. No program which involves a radical modification in state or federal revenue policies can be considered in the light of current fiscal uncertainties. However, the Commission is looking forward to the development of plans for fairly substantial revisions to be made step by step.

III. THE LONG-RANGE PROGRAM

Having outlined an immediate program, which in the nature of the case must be partial and piecemeal, it seems desirable that the Commission indicate its views re-
regarding a long-range plan for dealing with conflicting taxation and related problems. This program, of course, must concern largely the development of machinery rather than specific solutions; since the tax situation is essentially dynamic in character and since any plan of solving conflicts is likely to become obsolete in the course of time.

1. Better Statistics

In developing a long-term program for dealing with federal-state and interstate tax difficulties, the several states can immediately lay the foundation for progress. The first necessity perhaps is the development in each state of more adequate financial statistics of state and local governments. At the present time only about one-fourth of the states make any pretense of collecting all of the statistics of state and local taxation, and even in these states the statistics are in some cases meager and unsatisfactory. Each state should certainly know the total amount of tax revenues of various classes which it raises by state or local action. It should know, also, the facts respecting the distribution of its state and local expenditures and those regarding public debt. In addition, it is desirable that the states assemble more complete information regarding functional activities. Incidentally, this recommendation to the states contemplates more generous cooperation with the statistical agencies of the federal government, particularly with the Bureau of the Census.

2. Comprehensive Tax Study

In the second place, many of the states need to conduct comprehensive investigations of their own state and local tax problems. A valuable incidental result will be the development of information needed by the Tax Revision Council proposed below. Some of the commonwealths, as for example Connecticut, New York, North Carolina, and others, have already conducted such studies of state and local taxation. More than half of the commonwealths, however, have not recently conducted thorough studies of their tax situations. These states, it is believed, should in the near future provide for official investigations looking toward improvement in the local tax situation and incidentally providing data necessary for any thorough-going interstate investigation.

3. Public Understanding of Fiscal Affairs

Partly as an outcome of these two suggestions and partly as a result of current governmental activity, each state should conduct continuously a campaign of public education regarding state and local taxation. The educational program along this line not only should contemplate popularizing information as to tax problems, but it should also supply the public with full information on governmental expenditures and the administration of public debt.

4. Congressional Enabling and Consenting Act

A fourth recommended course of action, looking toward a long-range policy of dealing intelligently with conflicting taxation, would be the enactment by Congress of a general enabling and consenting act respecting interstate tax compacts. A still more fortunate arrangement would be the passage of an enabling and consenting act applicable to all compacts negotiated under the auspices of the Council of State Governments. In all probability, the development of treaty relationships between the states will, in the long run, be essential in dealing with conflicting taxation.

5. Vacancies in Membership of Interstate Commission on Conflicting Taxation

The Commission recommends that all vacancies created by the retirement of its members from public office or otherwise shall be filled by the Speaker of the Interstate Assembly.

6. A Tax Revision Council

Interjurisdictional conflicts inherent in American Government

Tax conflicts arise largely from the fact that the federal government and the states have constitutionally coordinate taxing jurisdiction in all important fields except property taxation and customs duties. In the early history of the United States the important sources of tax revenues were
almost exclusively property and poll taxes, tariffs, and a few selective sales taxes. With rare exceptions, the excise taxes were imposed only by the federal government and, in consequence, interfered but little with local tax plans. With the expansion in governmental activity during the past thirty years, both the federal government and the states have found it necessary to expand the scope of their tax systems. Death taxes, income taxes, and selective excises are now imposed by both commonwealth and central governments.

In the meantime, states have been subdivided into counties and sometimes into towns or townships. Cities, school districts, drainage districts, and other taxing jurisdictions have been superimposed on these, often in such a way as to provide so many layers of taxing jurisdictions that an individual taxpayer must contribute to several levels of government. These local governments have assumed large importance. They have developed semi-independent taxing programs which, in many cases, overlap the state tax plans and sometimes both the state and the federal tax plans. As an illustration, certain Alabama cities have gasoline taxes besides those imposed by the county, the state, and the federal governments. At the same time the city, the county, and the state each impose various sorts of license taxes on vendors of petroleum products.

In certain states, some effort has been made to alleviate the difficulties growing out of overlapping local government jurisdictions. Some attention has been given to working out tax plans which avoid discriminatory practices, although they involve duplication of levies. In keeping with this activity, the Interstate Commission on Conflicting Taxation, as indicated above, has given attention to preparing specific plans whereby the federal government and the states can avoid conflicting tax levies by separation of revenue sources, by utilization of federal credits for state taxes, and perhaps by federal administration of certain taxes the proceeds of which would be distributed to the states, either directly or as grants-in-aid. All these plans, however, contemplate dealing with the situation piecemeal, and each of them looks toward amelioration of immediate difficulties rather than a complete solution of the problems.

It must also be recognized that, even though immediate steps were taken to solve conflicting tax problems, one could not expect them to remain solved. Governmental institutions are developing at such a rapid pace that new problems of taxation are arising continually.

Permanent means of study essential. Therefore, no matter what legislative changes may be adopted to reduce the evils of conflicting taxation, it will be essential to maintain machinery for dealing continuously with the problems of this sort which easily arise from our plan of government.

It has become a commonplace among students of government that agreement on controversial public questions is reached almost invariably—if at all—through personal conference. This is particularly true in the field of taxation, especially in the matter of developing a spirit of interstate and federal-state comity: for in this field an attitude of give-and-take must characterize any successful procedure. This viewpoint is in keeping with the following expression of President Roosevelt in his letter of February 18 to the Executive Director of the Assembly:

*Tax Revision Council*

There are two practical plans of organizing the investigation. One contemplates the establishment of an unofficial commission, such as that set up for the Inquiry on Public Service Personnel, which has just issued its report. This commission was composed of eminent men representative of business, education, public administration, and scholarship in the field of government. The other contemplates the establishment of a commission officially representative of the interested parties. In the case of conflicting taxation or of the reallocation of governmental functions, which require official legislative and administrative action, it is believed that the second type of commission is to be preferred. Therefore, the Interstate Commission on Conflicting Taxation recommends that the Interstate Assembly propose a semi-permanent commission made up of legislative and executive personnel representative of the federal government in part, the states in part, and the local units of government in part.

*Note: A facsimile of this letter appears on page 314.*
The selection of personnel representative of these various units of government is in keeping with the principle that the parties which have an interest at stake shall be represented on the body established to deal with controversial issues. The individuals chosen to represent each level of government must include men who are in key positions to exercise leadership in the financial affairs of government and who are willing to give generously of their time to the task.

It is recommended that the Interstate Assembly propose the appointment as a Tax Revision Council of seven persons representative of congressional and federal administration viewpoints in public finance; that the states through the Interstate Assembly authorize appointment of seven persons representative of state legislative and administrative viewpoints in public finance; that the United States Conference of Mayors, the American Municipal Association, the International City Managers' Association, and the Municipal Finance Officers' Association each appoint one person representative of city viewpoints in public finance and that the Chair appoint three public officials representative of county, rural school district, and other local government viewpoints in public finance. It is contemplated that this Tax Revision Council will have the benefit of assistance from the existing staff of the Joint Committee on Internal Revenue Taxation, from the staff of the Treasury Inquiry on Public Finance, from the Interstate Commission on Conflicting Taxation, and from such other specialists as may be made available.

Council to study reallocation of governmental functions. In addition to problems of taxation strictly defined, it is anticipated that the Council will investigate continuously the reallocation of public functions between the various levels of government. The work of the Interstate Commission on Conflicting Taxation has already been severely limited by lack of comprehensive information regarding the distribution of governmental activities among federal, state, and local agencies. More than once it has even been suggested that the Commission's own efforts be directed to the investigation of these problems. Thus it is apparent that progress toward the solution of tax problems affecting the various levels of government depends largely on working out a sound viewpoint regarding the proper allocation of various governmental activities among units of government.

The Interstate Commission on Conflicting Taxation recognizes that this study of the distribution of governmental functions may, and doubtless should, require a separate staff from that concerned with the technical problems of taxation. On the other hand, it sees no reason why the proposed Tax Revision Council might not conduct both studies simultaneously under appropriate direction.

State Commission on Interstate Relations recommended. To facilitate the work of this Council it is desirable that each state provide a suitable official commission for interstate cooperation. This body would be particularly effective in providing a means of communicating with and securing the points of view of each of the several states. Such a committee is cordially recommended.

Continuous study essential. There is no reason to expect that either a coordinated tax program or a plan of allocating governmental activities to various units of government would remain sufficiently static to render any particular solution permanent. Thus the Council, if it is to be successful, must conduct continuous investigation with the aid of an adequate staff of experts and must engage in frequent and sustained deliberations regarding matters of policy involved.

To carry on its activities such a Council would require reasonable financial support:
(a) to defray expenses of Council meetings;
(b) to maintain adequate research and secretarial staffs; and
(c) to conduct such hearings and conferences as may be essential to the definition of governmental policy.

Chairman Morrissett: You have heard the report and the resolutions. The resolutions will be referred to the Committee on Resolutions and Procedure, which committee will report in the regular course of business.

Now we come to another interesting feature of the program, namely the ascertainment of the viewpoints of state delegations.
concerning the removal of tax conflicts. The viewpoint so expressed should be directed principally, if not entirely, to the subject under consideration, namely the removal of tax conflicts. If, perchance, a spokesman for any delegation desires not to comment on this particular problem, he is at liberty to give a word of greeting from his state.

Proceeding then under this plan, we find that Alabama is the first state in the alphabetical list, and so the gentleman from Alabama is recognized.

**VIEWPOINTS OF STATE DELEGATIONS**

**Senator Will O. Walton:** As the only official representative of the state of Alabama in this Second Interstate Assembly, by appointment of the Governor of Alabama, I am delighted to be here and to give thought and study to these important problems.

The matter of taxation is a matter in which Alabama is interested, as you are. I can only state to you that down in Alabama, under the able leadership of Governor Bibb Graves, we expect to move onward and forward to higher and nobler achievements.

Alabama, like you, recognizes its sovereignty as a state of the American Union. It has guarded, and will guard with extreme jealousy, those rights which we believe, and which you believe, belong to the sovereign states of this Union. However, as the official representative of Alabama I bring you greetings from that state today and I say to this Assembly that while Alabama does stand on its sovereign rights as a state of the American Union, Alabama recognizes also that it belongs to the sisterhood of states and is ready today to join with the other states of this Union, in matters of removing conflicts of taxation and in all other matters looking to the common good of the people of these United States for whose benefit these governments exist.

**Chairman Morrissett:** Florida.

**Hon. Bryan Willis:** We from Florida can assure the Interstate Assembly that we are willing to cooperate in wiping out conflicting taxation between the federal and state governments.

**Chairman Morrissett:** Georgia.

**Hon. Roy V. Harris:** There are five delegates here from the General Assembly of our state, which is now in session, and I want to say that we are very much interested in the problem of removing the possibilities of double taxation.

As representatives of the state of Georgia, we wish to commend the work of the Commission headed by the Senator from New York, and we certainly hope we will be able to make some progress. At the 1937 session of the Georgia Legislature our tax system will have to be completely overhauled and we would like to make it conform, as closely as possible, to many of the tax systems in other states.

**Chairman Morrissett:** Indiana.

**Hon. Philip Zorcher:** I come as a delegate appointed by the Governor and I want to extend greetings and say that Indiana has met some problems.

**Chairman Morrissett:** Kansas.

**Senator Clyde W. Coffman:** Coming from Kansas as Chairman of the Taxation Committee of the Senate and also as representative of the Governor, I want to assure you that Kansas is intensely interested in uniform state government.

**Chairman Morrissett:** Kentucky.

**Hon. William E. Rogers:** Kentucky brings greetings to this assembly. We in Kentucky, as a matter of fact, have our tax problem but we are happy in the thought today that Kentucky has solved its tax problem as far as possible. The regular session of 1934 found Kentucky with its state warrants selling at 75c on the dollar. Today, our warrants in New York are $1.03.

Kentucky and the respective counties of Kentucky owe today as much as they ever will or can owe unless some future legislature changes Kentucky’s laws. We passed a budget bill that is actually functioning and we cannot spend more than our income. The counties of Kentucky, many of them, had defaulted not only in the payment of the interest on their bonded indebtedness
but on the indebtedness as well. Today, every bond issued by every county in Kentucky is worth par.

CHAIRMAN MORRISSETT: Maine.

HON. HENRY B. VAUGHAN: Just now we are under a blanket of snow two feet deep, with zero weather, and I was really disappointed coming down here still to find snow, but we are used to it. The Governor appointed one of our ablest men in the Tax Department, Mr. Holley, to come down here, and I would like, if I may, to ask that Mr. Holley be permitted to take up the rest of my allotted time.

CHAIRMAN MORRISSETT: Mr. Holley is recognized.

HON. FRANK H. HOLLEY: Maine is tremendously interested, of course, in this subject of conflicting taxation but we haven't yet advanced very far into so-called modern taxes. We are still running along on the property tax and a few things like the gasoline tax and we haven't yet modernized our tax assessments. So probably we would feel less of the conflicts than some of those states who have modernized their tax methods and are taxing everything.

I bring to you the greetings of Maine, representing the Governor of the state, and assure you that when the proper time comes Maine will be very glad to join with the group in giving any assistance possible to working out the program before us.

CHAIRMAN MORRISSETT: Maryland.

JUDGE OSCAR LESER: We are not conscious of any conflict with other states in the matter of taxation but we are very anxious to cooperate with the other states in a matter which has received very little attention. I refer to the matter of taxation of banks. As you know, the states are permitted, by Section 5219 of the federal statutes, to tax banks on shares and in several other ways. More than two-thirds of the states still rely wholly upon the tax on shares.

For thirty years law that was construed to permit states to tax national banks in the same manner, and at no higher rate, than they taxed their own institutions. In 1929 there was a decision by the Supreme Court which overturned that doctrine. You may be surprised to know that in a large number of states there is now no legal way to enforce a tax on banks, but it is done by voluntary contribution or by gentlemen's agreement.

Efforts have been made ever since that decision to cure the resulting situation. Certain amendments were introduced which brought about these alternative methods, but the right to tax the shares is still weakened because under the statute as it is now worded, the tax on the shares is compared to matters with which it cannot be compared. You cannot tax a share of stock as you tax a bond or a mortgage. Recently a bill was drawn which in effect restores the system so satisfactorily used for thirty years. The bill virtually restores the right to tax national bank shares as the shares of state banking institutions are taxed. That bill received a favorable report from the House Committee on Banking and Currency. I used this opportunity to arouse your interest in this subject because those who were benefited by this situation have been able to force states to adopt a very low income tax method or to use other ineffective methods.

One other subject, which is now of great public importance, is the matter of the pink slip. I believe an Assembly of this kind ought to take some interest in it, and therefore take the liberty of reading a brief resolution.

"RESOLVED, That the Interstate Assembly recommends that Section 55B of the United States Internal Revenue Act of 1934, which requires publication after March 15, 1935, of intimate details of taxpayers' financial affairs, be repealed promptly before the effective date thereof."

CHAIRMAN MORRISSETT: The resolution will be referred, under the rules, to the Committee on Resolutions and Procedure.

Massachusetts.

HON. ARTHUR I. BURGESS: Massachusetts brings its greeting to the convention and feels deeply honored to have an opportunity to participate in its assemblage. We feel proud to lead all of the states in the lowest increase in governmental expenditures, but as a result of our dual system of government, Massachusetts realizes that two sovereigns must levy taxes in the same territory and on the same people. We realize, too, that there is not a uniformity of opinion here, or in our present delegation, so therefore we of Massachusetts are of the
opinion that where conflicts exist they should be removed only after a very careful study of the causes that brought them about, and a definite safeguard should be established to prevent a recurrence of these same problems.

CHAIRMAN MORRISSETT: Michigan.

HON. VERNON J. BROWN: I bring you the greetings of the state of Michigan and of the Governor, Frank Fitzgerald, whose commission I bear to this convention. Michigan has many tax problems. Unlike Maryland, our problem is not how to tax the banker but how to get our money out of the banks.

The particular concern of Michigan in duplicate taxation is the gasoline tax. We hope that this convention will take a stand in favor of reserving the gasoline tax to the states. We need it for the upkeep of our highways and our public streets. Our municipalities, under a fifteen mill limit, find maintenance and improvement of the streets impossible.

We are also interested somewhat in the question of the inheritance tax and what may be done to preserve as much of that for the states as is possible. We need some federal aid in proper administration of our sales tax. We are so close to the mail-order houses of Chicago that many of our people are buying there, in preference to paying the sales tax through a home merchant.

CHAIRMAN MORRISSETT: Missouri.

HON. O. K. ARMSTRONG: It seems to me the problem of conflicting taxation leads to one that is just as fundamental, the problem of conflicting services. We should definitely settle some policies in regard to what services should be extended the people of this nation by the federal government and what services should be reserved to the state and local governments. It seems to me that is fundamental and we must solve that before we will ever solve the problem of conflicting taxes. Services lead directly to the exacting of taxes to pay for them. It is true that taxes are not levied for the specific purpose of taking care of some particular governmental service, but some division of functions is necessary—else the states will lose their sovereignty.

Of course, that will lead the way to a great many problems, but after all, we feel in Missouri, and I believe that I express the sentiment of all here, that if an approach to the solution of the problem of conflicting taxes can be made here, we will be rendering a great service to the people of our states and the nation.

CHAIRMAN MORRISSETT: Nebraska.

HON. W. H. O'GARA: Senator Greer and I have both been delegated by our respective houses and commissioned by the Governor of the State to appear before your Assembly and take part in its deliberations.

We believe in leaving to the federal government the imposition of income taxes. We feel that a great deal of the wealth of Nebraska is going out of the state into manufacturing states. It seems to us that the wealth of Nebraska going into other states should come back, in part, in income taxes. That is true also of inheritance taxes. We do not claim to have the most salubrious climate in the world and if some of our citizens wish to move to other states, we see no reason why the federal inheritance tax should not be collected from them and returned, in part at least, to the state from which they derived their wealth. We believe that a sales tax, harmonized with the sales taxes of our sister states, would be better than a sales tax administered by the federal government.

We have had some experience in trying to eliminate conflict with our sister states. I might mention one instance, and that is the conflict which we found with the states surrounding us on farm truck legislation. We have been able to cooperate with our sister states and have been able to make progress.

I hope for the success of this gathering. I am sure that the contacts available to us will make it worth while, and I am sure that we will get closer together, that we will be able to understand each other and take back to the people of our states a message of what we have accomplished.

CHAIRMAN MORRISSETT: New Hampshire.

HON. EDGAR C. HIRST: May I say a few words on some of the specific things mentioned by Senator Mastick. On gasoline tax, we agree with all of the speakers who have preceded and with the recommendation of the Commission that we should confine gasoline tax to the states.
We are interested in the Commission's recommendation in regard to the tax on electrical energy, because we have had, for a number of years, a tax on public utilities, which has been vitally affected by the federal tax. We are greatly interested in that recommendation of the Commission.

We approve the proposed offset on the federal income tax, a tax on earned income. Our income tax is confined to the receipts from intangibles. In regard to liquor, we have the system of state stores, so we have no particular interest in that. We have no tobacco tax and, as yet, no sales tax.

The last item that I want to speak about illustrates the effect of cooperation between states. We have a good deal of shoe manufacturing; so has the state of Massachusetts. In assessing many of those shoe plants, there has been talk among the members of the trade to this effect: "Well, we will move to Massachusetts if we are taxed too high." I dare say Mr. Long has heard the same thing. Through an informal discussion of this matter with Mr. Long and some of the assessors in Massachusetts, and with some of our own assessors, we have agreed to a system of valuation for shoe plants and shoe machinery, so we are well on the way to having shoe plants taxed on practically the same basis on both sides of the state line, so there will be no moving about to dodge taxes.

CHAIRMAN MORRISSETT: New Jersey.

SENATOR A. CROZER REEVES: New Jersey, like all of the other states, has its problems, which it is gradually solving. Financially, it is in fairly good shape. The state itself has always closed the fiscal year with a balance. The difficulty has been with the municipalities in the state.

So far as our interstate problems are concerned, we have been getting along very well with Pennsylvania and New York, but the differences of taxing methods between New Jersey, Pennsylvania and New York have caused some confusion to our citizens. I believe that confusion is caused by individual interest.

We have a proposal for a sales tax and an income tax. In discussions on this, selfishness steps in and people always make the excuse that Pennsylvania or New York is doing certain things which are conflicting with their interest. We realize, in New Jersey, that there should be some plan for interstate harmony, probably mapped out by this organization. It is doing a fine job and I am sure this Association is going to accomplish a great deal.

I bring you the greetings of New Jersey. We are very proud of our membership in this organization and we feel, by becoming members of this organization, that we will reap great benefits from it, and I hope that we may contribute a little bit to its success.

CHAIRMAN MORRISSETT: New York.

HON. JOHN P. HENNESSEY: The causes which have resulted in this assemblage and the subject matter which we have under discussion may perhaps serve to emphasize somewhat the weakness of our dual system of government but we do not believe that the difficulties which have been presented by the various speakers, to whom we have been privileged to listen here today, are insurmountable. We believe that an assemblage such as this, representing the numerous conflicting interests involved in the great problem which we have under consideration—the problem which I regard as one of the most important governmental problems which can engage the attention of any assemblage of governmental officials—can be of benefit.

Voicing the collective opinion of the delegation from the state of New York, which is one of the largest if not the largest delegation represented in this Assembly, I desire to say that this delegation approves the recommendations of this Commission, and the resolutions attached thereto, designed to carry into effect those recommendations.

CHAIRMAN MORRISSETT: Ohio.

HON. J. FREER BETTINGER: I wish to state that the members of the Ohio delegation are at this Assembly by a joint resolution: five members represent the House of Representatives; five members, the Senate; and one has been commissioned by the Governor. I happen to be the representative of the Governor. I bring to this convention the greetings of the General Assembly of Ohio and the greeting of the Governor of the state, the Honorable Martin L. Davey.

I shall ask a member of the House who is Chairman of the Tax Committee to present our situation to you. Mr. Ward!

HON. P. E. WARD: In the talks thus far,
something has been said of the service performed and the result of the service performed as the necessity for taxation. I feel that the general public does not understand that taxes are a payment for services and if there could be a greater movement to educate the public as to what they get for the tax-money they pay, there would not be as much antipathy as there is today. The service idea is comparatively new and our hereditary antipathy to tax paying dates back to conditions that existed long before our day.

We have a great deal of complaint over the sales tax from the standpoint of those people who live near state-boundaries or, in those areas where merchants feel they are being placed in unfair competition with the mail-order houses. I have prepared a resolution which was passed by the Ohio House of Representatives, asking the federal congress to act in order that we may meet that situation. All the states around us, except one, have a sales tax, and Illinois has a sales tax, yet mail-orders escape the tax both in the state from which the goods are purchased and in the states wherein the purchaser lives.

I feel that the proper solution of the sales tax situation is the passage, by the federal government, of a sales tax and the allocation of some part of that money back to the states. I also feel it is only just to ask the federal government to return something in the way of a credit to the states against the federal income tax.

CHAIRMAN MORRISSETT: Tennessee.

SENATOR ANDREW J. GRAVES: There are many things that are conflicting and I don't know just what the solution is but I do believe that this organization is doing more than any other organization in the United States to bring about an understanding in the various states, and I believe in a few years that the people of every state in the Union will recognize this organization and that they will appropriate money to bear its expense.

CHAIRMAN MORRISSETT: Texas.

SENATOR BEN. G. ONEAL: I probably can be excused for being rather a states' rights advocate when it comes to taxes or any other matter, since I come from a state which, for nine years, was an independent republic to which the United States of America sent a resident minister. It is a state in which the federal government never owned a foot of land except when permitted by legislative enactment. I view the maintenance of the states' independence, the maintenance of a government free from federal interference, except what is specifically granted under the constitution, as
the best for the people not only of Texas but of all the states.

My own legislature has approved the establishment of the Interstate Commission on Conflicting Taxation by the First Assembly and has already approved part of the work of this Commission. Our Governor recently attended a meeting of the oil states' governors and their representatives in Dallas. There the oil states entered into a compact which must be ratified by the states and approved by Congress. In entering into this compact, the Governor of Texas has put into practice one of the recommendations of our Association. Interstate compacts are a means whereby states may settle among themselves those things upon which states should agree instead of looking to Washington for assistance.

These two illustrations will serve to show that the state of Texas is behind the work which the Interstate Assembly has started, as well as the work of the Interstate Commission on Conflicting Taxation.

CHAIRMAN MORRISSETT: Vermont.

HON. CONSUELO NORTHRUP: My colleagues and I are here representing our newly elected governor, Charles M. Smith.

During this session of the legislature that is drawing to a close, the legislators are trying to raise some taxes. Until four years ago we never had an income tax in the state of Vermont. It so happened that in 1931 I had the pleasure of being the third woman to sit in the Vermont Senate, and at that time we put into effect an income tax. The people of Vermont are in favor of a sales tax. We are in favor of getting away from coming to Uncle Sam for everything. As we were an independent nation for fourteen years before we were admitted to the Union, we got into the habit of liking to stand on our own feet. Vermont was one of the few states, if not the only state in the Union, that did not have a bank failure. The depression crept upon us very slowly and it will probably leave us very slowly.

It is a pleasure to be here, although we have come more to absorb than to act, and we will make as intelligent a report as we can to the House and Senate and to Governor Smith. We hope you will come, as soon as you can, to the glorious Green Mountain State.

CHAIRMAN MORRISSETT: Virginia.

HON. J. SINCLAIR BROWN: Our delegation had elected Mr. C. H. Morrissett, State Tax Commissioner of Virginia, to speak for us, but ifasmuch as he is presiding we are going to ask Senator Wickham to speak for us.

SENATOR HENRY T. WICKHAM: I am commissioned by our delegation and by the Governor of Virginia to extend a most hearty greeting to this splendid assembly and to express to you how deeply we are interested in your work. We, like the lady from Vermont, feel that we absorb a great deal more than we can give to this Assembly. We feel that we are not here to commit ourselves to any line of action; that our function is to report to our governor and to our legislature and let them decide the questions for themselves, always desiring to be as a harmonious and as cooperative as our necessities will permit.

CHAIRMAN MORRISSETT: West Virginia.

SENATOR ALBERT G. MATHEWS: I doubt the advisability of the states' going into the taxation of tobacco. We have to leave a certain field to the federal government and a certain field to the state governments, and I believe that this Assembly is doing a great work when it can separate these things. An understanding between the federal government and the state governments is possible only through an organization of this kind. The federal government cannot deal with each state separately.

When we tried to pass the sales tax in West Virginia, one of the arguments was that the merchants who lived on the Ohio River and the Maryland border would be damaged. One of our members, who had a large department store, said all his customers would run over into Maryland and buy goods there. He thought he was ruined. But judging from the best information we can get, nobody was seriously hurt. The people who are affected most are the automobile sales people. If a man can buy an automobile at a saving of $20 he will go across the line to buy it. So we placed in our sales tax act a provision that anyone who bought an automobile out of the state must, before he gets a license in West Virginia, pay this sales tax. It worked all right until some fellow went into court with it and the court said it was unconstitutional.
CHAIRMAN MORRISSETT: Wisconsin.

HONORABLE ALVIN C. REIS: I appreciate the work of this organization. My work is now in the public utility field. Some of us, representing the states, view with some alarm the evident contemplated encroachments of the federal government into the states' powers over utility regulation. I have always maintained the same perspective as a member of this organization in the realm of taxation. I think it needs no reiteration here to ask you to hold your own flags high in laying out a definite demarcation beyond which the federal government should not go in the matter of taxation.

CHAIRMAN MORRISSETT: Wyoming.

HON. LESLIE A. MILLER: I agree with what has been said here with regard to the diversion of gasoline taxes. I think the gasoline tax should be confined to the building and maintenance of roads. In this matter of conflicting taxation, I do think that eventually we are going to confine sales taxation largely to taxation at the source. I will try to illustrate just what I mean by this. It is generally recognized that the most efficient tax is the cigarette tax that is levied by the federal government. The liquor tax is an effective tax because it is efficiently administered by the federal government. Both are levied at the source.

In the matter of gasoline, I have for some time thought that it would perhaps be wise if the federal government levied a uniform tax on gasoline and then distributed the taxes on gasoline by some agreed formula to the states. All of you know there has been a great deal of evasion of the gasoline taxes. If the tax could be collected at the source like the cigarette tax, and then some formula of distribution devised whereby the states would receive the tax on the gasoline 'sold or consumed in those states, I think we could get a great deal more revenue in some of the states than we are now receiving.

The federal government should confine its tax collecting activities to certain fields and leave other fields to the state. There should not be any conflicting fields of taxation between the federal government and the states. If the federal government finds that through its internal revenue laws it can collect considerable sums from income taxes, I believe it should remain outside of the sales tax field and leave that field to the states.

Uniform taxation is desirable just as uniform criminal laws are desirable, in my opinion, and the more uniformity we can achieve, the more economy we are going to make possible in the state governments. So if this Assembly can create a sentiment directed toward securing uniformity of tax legislation in those fields in which the states tax, I think it would be very helpful indeed.

CHAIRMAN MORRISSETT: Is there any other state now desiring to be recognized? If you desire to be heard now I am sure the Assembly would be glad to hear from you.

MINNESOTA.

SENATOR J. V. WEBER: Minnesota has memorialized Congress to stop levying the one cent gasoline tax. We in Minnesota feel, as many of you do, that the federal government is usurping the rights of our state government. We feel that in the present relief set-up we are being placed at a very great disadvantage. In this session of the legislature we are going to appropriate $2,000,000 to the farmers of our state for the purchase of seed. As you know, Minnesota was extremely stricken by the drought. Mr. Hopkins notified us that although he required a $10,000,000 levy from the State of Minnesota for relief purposes, we would not be given credit for the $2,000,000 for seed relief or $1,000,000 for feed relief, which the state appropriated, and I might say I am down here as much as anything to find out if we can't iron out that problem.

Minnesota is not in very good shape and we of this delegation would be delighted if this organization can devise some means of ironing out the conflicts in taxation and of securing revenues without placing more burdens on the taxpayer.

SENATOR WOODWARD (Pennsylvania): Is it in order to offer a resolution at this time? I will read the final paragraph, omitting the preamble.

RESOLVED, That this Interstate Assembly, representing forty-eight states, deplores the growing volume of tax exemptions, including:

(a) Federal bond issues and public salaries exempt from state and local taxation,
both as to income produced and as to capital volume under the property tax,
(b) State bond issues and public salaries exempt from federal taxation, both as to income produced and as to capital value under the property tax; and
(c) Securities of governmental units at all levels exempt, both as to income produced and as to capital value under the property tax; and be it further
Resolved, That we believe that these tax exemptions should be removed to promote the use of money in industry rather than to provide an inert refuge for moneyed capital.

Chairman Morrissett: The resolution will be referred to the Committee on Resolutions and Procedure.

Announcements
Chairman Morrissett: The meeting is adjourned.

The meeting adjourned at 5:35 p.m.
The genial atmosphere of coffee and cigars, which filled the Mayflower Ballroom after the Thursday evening dinner of the Second Interstate Assembly, was well suited to the theme of friendly cooperation between the states.

The speakers—Governors Pollard, Winant, and Miller—as chief executives in New England, the South, and the far West, have faced the problems of interstate conflict. Thus it was with vigor and conviction that they urged a program of uniformity and harmony.
Thursday Evening Session

February 28, 1935.

The meeting was called to order at 8:40 p.m. by the Toastmaster, Honorable John Garland Pollard, former Governor of Virginia.

Toastmaster Pollard: This is a serious occasion but we have not yet come to the serious part of the program. In fact, I can not believe that my friends are going to allow me to be serious because, as I came into the hall, I met two old acquaintances who reminded me of something foolish I had said years ago. The first gentleman who met me was my friend Franklin Edmonds of Philadelphia, with whom I served in welfare work in France during the World War. He reminded me that, on one occasion, I was addressing a body of American volunteers soon after I had left my home in Virginia, and I said, "Boys, I have just come from Virginia and I know that many of you are from that dear old state; I want you to stand up and give me the privilege of looking in your face. All from Virginia will please rise."

No one arose. I grew eloquent and said, "I know that among the 500 volunteers now before me, old Virginia, the mother of states and of statesmen, must be represented. Boys, stand up for your state."

There followed a long, embarrassing pause. Finally a boy stood up and said, "Mr. Pollard, there were two Virginians in this battalion but both of them are in the guard house."

Now the other friend who recalled to my mind something that I ought not to have said on so solemn an occasion, reminded me that we were both at the White House together, having been called there as governors to confer with the President. What he wanted with us I didn’t know, but the governor who sits here to my left says that I made this remark to him at the White House: I was illustrating the filial loyalty of the children of a man who died at one of our seaside resorts. Desiring to show their respect for their father, they erected a tombstone on which these words were written:

"Ma loved Pa,
Pa loved women,
Ma caught Pa with two
in swimmin',
Here lies Pa."

And so you see, these two friends have diverted my mind from the serious problems before us.

I am seated here between two governors, one a Republican and the other a Democrat, and I have to be quite impartial. I remember hearing, once, of two politicians riding home from the funeral of another politician and one said to the other, "Where do you think our departed friend has gone? Has he gone to heaven or to hell?"

The other politician said, "Oh, don’t ask me. I have friends in both places."

And so I hope I have some Republican friends left, although it is not a very good crowd to draw from.

The first speaker, Governor Miller, is a Democrat from the West. He has the distinction of being governor of a state that now has the first legislature, Democratic in both branches, since the existence of the state, and he is the first Democratic governor ever to be reelected. The papers say that the senators and congressmen from these western states have formed a bloc and they are going to demand from the President that the western states get more patronage. They think that they haven’t received their share. They want more. They are, it may be truthfully said, loyal political adherents to the President of the United States. A political adherent is a man who hasn’t yet been given all he wants.

I always thought that Al Smith was very much slandered when someone told this story about him. They asked him, during his campaign for president, "Mr. Smith,
how many states west of the Mississippi River are you going to carry?"

Mr. Smith replied, "Well, I don't know. What states are there out there?"

Well, Wyoming is one of the states, and it has a governor whose ancestors came from my state. I knew from the first time I met Governor Miller that he was a great man. I didn't exactly understand why it was, but I found out later that he came from Virginia. You know we Virginians are great historians and the rest of you would be historians too, if you were Virginians, because we start out on our historical research with the absolute assurance that if a thing is really good, or if a man is really great, its or his origin is in Virginia. But our friend, the governor who is about to speak to you, is not looking backward to ancestry, he is looking forward to posterity.

Governor Miller is to address us on the subject of Cooperation Among the Western States. I suppose, of course, he refers to the movement now on foot to see that the West gets her share of the appointments. There are some others who are also interested in the patronage which the President has to bestow, and therefore we are more than glad to hear you tell about the cooperation in the western states. Governor Miller!

ADDRESS BY GOVERNOR
LESLIE A. MILLER

Before I enter on my subject I want to refer to something which Governor Pollard said about men in politics. I have a brother Governor in a state which adjoins us, on the west, who tells this story about an early incident of his career. When he was a boy his folks discussed at length what his future should be and his father devised a test which he said would give certain indication as to what might be expected from him in the future. The test was this: He put the boy in a room in which he had placed a table, a Bible, an apple, and a bottle of whiskey. Then he told the mother that he was going to watch him through a window, unknown, of course, to the boy. If the boy took the Bible and read it, he unquestionably would be a preacher; if he took the apple, he would probably be an agriculturist; if he took the bottle of whiskey, he would probably be a saloon keeper. Watching closely he saw the boy take up the Bible and put it under his arm, take the bottle of whiskey and put it in his pocket, take the apple and start eating it, and head for the door. The mother exclaimed: "My God! He's going to be a politician."

I was assigned the subject of "Cooperation Among the Western States." I am going to take the liberty of talking on the proposition of the cooperation which should exist among the western states. Perhaps that will be more to the point, for although the very friendliest kind of a spirit does exist, actual cooperation among these states has been sadly lacking.

Western Frontier

Eastern people have little knowledge of the very great changes in the western states—unless they have had the opportunity to travel through and study conditions in this section recently.

Until just a few years ago there was an opportunity for every man who became dissatisfied with his situation to seek out and establish a new home in the frontiers of the west. So the west grew up through the settlement of lands under the Homestead Acts of this country. Now there are no new frontiers for dissatisfied people to occupy. The west has become like the east,—a country in which we must learn to live with our neighbors. We have come to the place where we must learn to get along with ourselves, and so we have arrived at a period where cooperation between the western states is a very vital necessity.

Land Irrigation

May I illustrate by dwelling for just a moment upon the existing situation in regard to the irrigation of land in the west? Those of you who are familiar with conditions out there know that in land irrigation lies the very life of those states, and most large streams are, of course, interstate. The laws of priority with regard to the application of water for beneficial use upon the lands are very much alike in all the western states. The laws of priority established the fact that the earliest date of beneficial application of water is the date which establishes a man's right to the controlled use of that water. There have been great conflicts between states as to the use of the waters
THURSDAY EVENING SESSION

of interstate streams, and long and tedious lawsuits have been carried to the Supreme Court of the United States. A lawsuit involving the use of the waters of the Arkansas River, which has its origin in Colorado and runs down through Kansas into Arkansas, occupied the attention of the courts for years and years. It was one of the things which grew out of a lack of cooperation on the part of the western states in the early stages of their development.

The state of Nebraska has recently entered a suit against the state of Wyoming regarding priority in the use of the waters of the North Platte River, arising in Colorado, running through Wyoming and into Nebraska. On the 11th of March we begin the initial arguments in the United States Supreme Court in a lawsuit which may be in the courts for many years.

Well, these lawsuits, growing out of the lack of cooperation between the states over the waters of interstate streams, are but one evidence of what can happen through a lack of cooperation. In recent years, legislatures have given certain officials of their states the right to negotiate compacts between the states regarding these streams. Most of us recall that before the building of Boulder Dam was authorized by Congress, the states included in the watershed of the Colorado River were advised to enter into an interstate compact. Representatives of the seven states concerned met and agreed to a compact which was afterwards ratified by six of the compacting states. One of the seven, Arizona, has never agreed to that compact, and has tried to void it in the Supreme Court, unsuccessfully up to this time. The four upper basin states still have to frame an auxiliary compact to divide the waters allocated to them for their purposes. Since reclamation is the very life of many of the agricultural communities of the West, it is extremely vital to the economic welfare of the western part of the country that these compacts be arranged.

Public Lands

Another phase of this new situation which confronts the western part of the country today is the result of an act of Congress passed less than a year ago, known as the Taylor Grazing Act. It was intended to affect all the unappropriated public land of the western part of this country. My friend from Massachusetts and his colleagues in their legislature are not called upon to deal with the problem of public lands, nor is any other state of the east. Outside of forest reservations there is practically no public land in the east, but out in the western country a great part of some of the states is still unappropriated-public land. You will understand the magnitude of the problem when I tell you that the unappropriated public lands of the western states comprise an acreage of almost four and a half times the total area of all of the New England states.

Under the provisions of the Taylor Act, as the Interior Department proposes to amend it, the 173,000,000 acres of unappropriated public lands in the west are to be used for conservation purposes. With your permission I would like to dwell for just a moment upon the effect that policy will have upon the progress of our western country.

Heretofore, under the homestead laws, any citizen was eligible to receive a grant of land from the federal government. It is now proposed to withdraw from all forms of entry the entire remaining 173,000,000 acres of land and to void the homestead laws under which the country west of the Mississippi River, was developed. When the western states were admitted to the Union, Congress, realizing that great areas of the public lands were not fitted for settlement and would remain publicly owned, granted these states, upon admission to the Union, great acreages of land for the support of public institutions. Lands were granted for that purpose because it was recognized the states would never secure tax revenue from land not privately owned. The states could lease the lands, for grazing purposes, and use the rentals in the support of their public institutions. Lands leased for this purpose have been a source of considerable revenue to many of the western states.

There is a great distinction between the use of lands for conservation purposes as opposed to use for revenue purposes. If the federal government takes over, for conservation purposes, all of the remaining public lands, the western part of the United States faces a very great change in develop-
ment and policies. There arises, then, a necessity for cooperation among the western states, a necessity for cooperation in matters not of concern to the states in the eastern part of the country.

*Need for Coöperation*

Many of you gentlemen here are occupying places in Congress, and others of you are potential candidates for such positions, since we find that the legislatures of the various states are breeding grounds of the germ which inoculates individuals with the desire to serve the states in greater capacities. So I would like to plead with you for an understanding of the problems of the west, an understanding of the need for cooperation between these states and between the east and the west. This change in the method of developing the western part of the United States is something to which all the country should give heed, because we have passed the time when there is a new frontier to which dissatisfied people may move.

We need cooperation between the states in this matter of a change in policy; we need cooperation between the states in the matter of taxes. In the deliberations of this Assembly this afternoon, much was said about the different forms of taxation existing in the several states, and I had a few words to say myself as to what I conceive to be the desirability of uniformity in taxation.

I hope that this Assembly will continue to grow in importance. I think that Mr. Toll, who has been the guiding genius behind the organization, is rendering a real service to the several states and to the nation. I compliment him upon his industry and his ingenuity, and conclude by saying that I wish the Assembly many years of usefulness.

*Toastmaster Pollard:* I see among our guests tonight a number of our representatives in the Congress of the United States. I hasten to try to make them happy by assuring them that I will not call on them to make speeches, but I want them to know that we are very grateful for their presence here tonight.

The next and last speaker I have referred to is a Republican. I do not hold that against him, he can't help it, he was born that way in New Hampshire, but I can't bring myself to the position of pitying Republicans. I think that we Democrats ought to be very careful of how we pity the Republicans, because things are brightening very much for them in these last few days since the Republicans in the United States Senate have decided to follow Huey Long. They have become political bedfellows of the Senator from Louisiana. Now Governor Winant, political bedfellows are those who like the same bunk and I think that the ray of hope that has been given the Republicans in the last few days ought to cause us Democrats to stop and think.

The gentleman who is about to address you is a scholar in politics. Someone has said that we can do very little worth while in the science of politics unless we have first mastered the art of getting elected. The gentleman who is to address us is not only a profound student of political questions, but he has mastered the art of getting elected. He has been elected governor of his state twice, and many times he has been elected to the legislative body of the state.

I think it was William Allen White who said, "Whenever you find a man with a gentle, ingratiating voice and an easy flow of innocuous language, unimpeded by pestiferous ideas, then you find a man that God sent into politics." If that be so, who sent Governor Winant into politics? It is certainly no description of him because he is interested, in a broad, non-partisan way, in the very serious problems which confront this nation and all of the states composing it. I take pleasure in introducing the former Governor of New Hampshire, John G. Winant.

*Address by Governor John G. Winant*

What I have to say this evening is largely by way of introduction and suggestion to some of the things that we have come here to discuss. If my speech had a title, it might be, "The Mechanics of Government."

The Governor of Wyoming suggested that the dissatisfied citizens of the east had made their way years ago toward the frontier. I have a feeling that some of our dissatisfied citizens in the east are still with us. Speaking seriously, we might all
of us take as a motto—an intent attitude to take toward government. We have spent most of our energies during the last fifty or a hundred years developing a great continent, and too few of us have spent much time attempting to make progress in the mechanics of government.

**Governmental Units**

Counting the federal government, the states, the counties and the local governments, there are approximately 175,000 different units of government within the United States today. There are over three and a quarter million men and women who work for the federal government, for the state governments, and for local governments.

I think of a small town outside of New York which has a variety of taxing jurisdictions. When efforts were made to coordinate these different taxing areas, one of the first things the investigators did was to attempt to find out what the debt was. They found that the city had borrowed up to 75 per cent of its total taxable value. Even the people who owned mortgages had questionable assets, and those who owned property free of taxation had only a fraction of what they thought were assets.

And so it would be helpful if we tried to spend some time in simplifying government. We know what our national debt is, but I don't think that there has ever been an accurate compilation of local debt. In this country I don't believe we know the combined total national debt.

**Coordination and Cooperation**

It has seemed to me that we might attempt to develop greater coordination and cooperation between the federal government, the state governments and local governments, and it has occurred to some of us that it might be possible to make contacts between the different states of the Union more valuable. It has been said that it is easier for the federal government to deal with the government of China than it is for a state of the United States to deal with another state. So some of us feel that if each house of each legislature in the several states would establish permanent committees on interstate cooperation, it might be helpful. We have also felt that it might be of benefit to set up regional secretariats to aid the states within the different regions of the country to cooperate with one another.

I am thinking, now, in terms of New England, because I am more familiar with it than with other sections of the country. We started, at Poland Springs during a Governors' Conference some ten years ago, what has been known as the New England Council. It was primarily established as an economic unit, but it has also done a great deal to stimulate governmental cooperation between the states of New England. Through that organization, which is supported by voluntary contributions, the governors of the New England States are called together frequently to discuss New England problems. In my three terms as governor, six months never passed without a meeting of the New England governors on some problem which affected the people of the entire region.

It was through this organization that we asked the State Commissioners of Health to meet for the first time. It would seem natural to have frequent meetings of those in charge of health in a closely knit community such as New England. Today most of the civilized nations of the world discuss their health problems together. Yet until this organization was formed, the Commissioners of Health of the several New England States had never met.

The same thing was true of the Commissioners of Agriculture. In New England, we found that we had failed to establish standards for agricultural commodities, and that commodities from other sections of the country, and even from abroad, were displacing our own products. So we asked the Commissioners of Agriculture of the New England States to meet. They did so and set up a legislative program which was unanimously adopted at the next session of the legislatures. As a result of that legislation, the distribution and the consumption of the staple products of New England have been greatly increased.

Through Senator Parkman and the Governor of Massachusetts we were able
to establish a commission in each of the New England States, and also in Pennsylvania, New Jersey and New York, to discuss labor problems. Looking forward to action, under the compact theory, those commissions have unanimously recommended a minimum wage law in the states which I have named.

We have a milk problem in New England which affects more than a single state and might be settled on the basis of cooperation, perhaps by a compact between the states. More than 90 per cent of the milk consumed in the Boston area comes from Vermont, New Hampshire and Maine. An interstate arrangement is imperative if we are to stabilize the milk market in the area.

The oil problem is another interstate difficulty. Transportation problems often involve cooperation between states. We spent seven years trying to work out a cooperative transportation program for New England. Had it not been for this business organization we call the New England Council, the problem would never have been approached on a regional basis.

So if you could have a regional secretary who would call together the governors of a section or the representatives from a section, their work would be greatly facilitated. It would also be equally valuable to call together the heads of governmental departments.

There are many things on which all the states might cooperate. If we are intelligently to take the load off a centralized government we will have to enable states to handle business which affects them regionally, or as a whole, more efficiently than it is handled today. People turn to the federal government for action because they fail to get action by state cooperation.

**Governmental Administration**

The question of administration is another one which puzzled us. I have a feeling that we are going to turn from what we might term parallel administration to a perpendicular form of administration. We very often think about the federal government encroaching upon the state government and the state government encroaching upon local governments. Yet, you and I—individually—are citizens of the federal government, citizens of the state government, and citizens of our local governments. There can be no reasonable quarrel within ourselves as to whether we are representing, at any given moment, the federal government or the state government or the local government. We owe loyalty to all three, and we expect the rights and privileges that belong to us as citizens of each and of all.

But we have not thought about the problem of making an intelligent adjustment between the functions of the federal government and the state government and the local government. It is as if we expect men who labored over these difficulties more than a century ago, to set up a form of government which, without any effort on our part, will meet all the changed conditions of modern life. It is not so, for we must use our own imagination and initiative if we are to bring up to date these governments which were set up simply to protect the individual and community life.

There have been attempts to coordinate these governments. Take the county agent, as an example. I am sure he is familiar to any of you who live in rural areas. He is the paid agent of the federal government, the state government and the county government. In all the counties where I have known the county agent he has been an efficient officer. When the federal government found it necessary to make substantial loans to individuals, they were usually forced to set up an emergency administration. In the field of agriculture, that was not necessary since the government made use of the county agent. He was accustomed to work for the federal government, the state government, and the county government. If you will study the efficiency of the making of these loans by the county agent, and loans made through other agencies, I believe you will see the effectiveness of that form of agency. We usually appoint a man to do a job for the federal government, and another man to do the same kind of a job for the state government, and then a third man to do a similar job for the county or other local government. Frequently, we have hired three or four people to do a job that might be more efficiently and effectively accomplished by a single agent.
The questions involved in taxation are similar. A generally accepted theory is that taxes should be levied on a basis of capacity to pay. Take, for example, the graduated income tax, which is levied by the federal government and by some state governments. One of our largest urban communities is levying a tax of fifteen per cent of the tax levied by the federal government to be collected by the city. There can be no honest measure of capacity to pay when taxing jurisdictions pile one upon another in this fashion.

It would be a perfectly simple matter to have the federal government levy a tax which might be distributed to states and local governments. Thus you would at least get an honest effort to measure capacity to pay. As the Governor of Wyoming suggested, there are fields of taxation which rightly belong to the federal government and might properly be limited to federal jurisdiction, and there are other fields of taxation which might be left to states and still others to local governments.

This is not an interesting subject, but rather a complicated subject. It is not concerned with what we call issues; but it has to do with the mechanics of government. Largely because it has been an uninteresting subject, few people have spent time in trying to solve it. But I want to say to you that if representative government—by the people—ever fails, it will be because that government has not efficiently reacted to the wants of the people. There is nothing more dangerous in a great democracy than a clumsy, incompetent governmental machine. If you want to hand over more than debt to posterity, if you want to turn over to those that come after us all the priceless heritage left to us by our fathers, if you are an American—genuinely interested in these matters—you will do something about this problem of coordination and cooperation, this problem of the mechanics of government.

Toastmaster Pollard: The meeting stands adjourned.

The meeting adjourned at 9:45 P.M.
Friday Morning Session

March 1, 1935.

The meeting was called to order at ten o'clock by Speaker Belknap.

Speaker Belknap: The meeting will please come to order. Gentlemen, two years ago we made the start on this fight for a meeting of the legislators of the nation. At that time those of us who were struggling with the problem found that we were a little too exclusive. We were limiting the thing too much to legislators. We found, as you find in your own legislatures, that cooperation of the governors and the tax commissioners and the highway commissioners and the auditors and the treasurers, was essential. If we were going to function properly we were going to have to ask these gentlemen to join us in our efforts to better the machinery of cooperation in state legislation.

It is, therefore, with great pleasure that we find a number of this type of man with us today. We have, as presiding officer this morning; one of these men whom we all honor. I refer to the Governor of Wyoming, Leslie A. Miller, whom many of you heard last night, and who is going to preside at this morning's session. I introduce Governor Miller.

Chairsman Miller: When the name of the State of South Dakota was called in the course of reading the roll of the states, it reminded me of a very interesting development in the tax situation out there. Out in the Black Hills of South Dakota is the great gold development of the Homestake Mining Company. South Dakota, essentially an agricultural state and hard hit by the drought, has devised a system to let the Homestake Mining Company pay all the taxes in the state of South Dakota. A bill has been introduced before the legislature of South Dakota calling for a 10 per cent tax on the gross output of gold ore. A 10 per cent tax on the output of gold would provide a great revenue for the state of South Dakota, but the Black Hills country so resents this effort to saddle the burden of taxation on one county that they are asking Wyoming to help their secede from South Dakota. They want to come over and join Wyoming. Wyoming would like very much to have the Black Hills country within her confines, and if you gentlemen have an opportunity to put in a word for Wyoming we will appreciate it.

When the meeting adjourned yesterday afternoon, we had completed the roll call of the states, and had heard the various representatives give their views on conflicting taxation. There are a few states represented here today who did not answer the roll call yesterday, and before beginning the regular program we are going to give them a chance to express their views.

I now call on the delegation from Illinois.

Hon. Simeon E. Leland: I would like to rise first to come to the aid of the state of Wyoming. Conflicts in taxation will certainly not end until our political jurisdictions are coextensive with the areas of economic life and the areas of our economic interest in trade.

A large proportion of these conflicts, it seems to me—and now I am speaking entirely for myself, and I don't know whether anyone else in Illinois shares these views or not—are simply matters of psychology rather than matters of economic concern. The whole problem of conflicting taxation is simply a problem in differential rates, and the economic effects produced by those rates. More especially, the problem is one of conflicts in notions of taxation rather than conflicts in jurisdiction, and those conflicts exist not merely between the states but within the states. The states neither have a solid foundation, theoretical or otherwise, upon which they base their revenue systems, nor are they advanced much farther in thought than that taxes are imposed upon things and are paid by things.
They are mindful neither of the amount of the levy nor of the fact that the levies ultimately rest upon the people other than those who pay them. The whole conflict between the debtor and creditor states, for example, rests entirely upon a misconception of that fact, the result of which is that when forms are reached in the debtor states the effect of that simply is to increase the tax burdens upon the states which impose the taxes.

It is only, then, when we understand the fundamental principles behind these taxation conflicts that we are in a position to do anything about them. We have to learn, first of all, that taxes are ultimately paid only from two sources, either from wealth or income, and that on those sources all taxes ultimately rest. The sooner we get to a point where we have the courage to impose taxes directly upon those bases and in relation to personal capacity, the sooner will we minimize the conflicts and develop a fiscal system which ultimately rests upon them.

This, of course, is the difficulty with the philosophy of separation. The separation of sources of revenue theory first of all doesn't separate, and it is only as we begin to integrate, through one scheme or another, the entire tax system that we can relate to these the fundamental principles that ought to control and guide us, and until we do that it seems to me we are in no position really to approach the problem.

CHAIRMAN MILLER: We will now ask Rhode Island to present its case.

HON. EDWARD L. LEAHY: The message which I bring from Rhode Island this morning is that we want to cooperate with the other states. As I view it, that is the underlying spirit of this conference, the development of a spirit of cooperation. In the past we haven't realized the necessity for it. We do realize it now, and we realize it in Rhode Island: notwithstanding the fact that we do not have those conflicts which, some of the other states have.

CHAIRMAN MILLER: We will next hear from Colorado.

LIEUTENANT GOVERNOR RAY H. TALBOT: Governor Miller of Wyoming is the presiding officer of the morning for this Assembly. It has been my pleasure, on a number of occasions, to be the chairman of interstate meetings of various sorts in Colorado, when he visited us. We in the West have no boundary lines. On many occasions when Governor Miller was with us I almost introduced him as the Governor of both Colorado and Wyoming. We have the friendliest feeling with our sister states and bordering states.

I know that the states differ on many of the tax problems we are going to discuss, but I personally feel, and I know Colorado believes, that the American Legislators' Association is going to help to eliminate the imaginary boundaries so conducive to the friction that now exists and bring about harmony not only within state borders, but between the political subdivisions of the many states in the Union.

CHAIRMAN MILLER: The gentleman from North Carolina is recognized.

HON. P. W. MEEKINS: Two years ago we enacted a 3 per cent retail sales tax in our state. To my mind that is the principal conflict we have in taxation there today. We find, particularly in the border counties, that a good many of our citizens are going over into Kentucky, Tennessee and South Carolina and making purchases in those states—to avoid the tax. Naturally we are losing a great amount of revenue in North Carolina by reason of the sales tax. We are also losing revenue by reason of the bootlegging of liquor into our state.

CHAIRMAN MILLER: We shall now proceed with the program for the morning.

The national congress is very much interested, of course, in the problem of taxation, bearing, as it does, the very great burden of providing the immense revenues government requires under existing conditions. I think we are very fortunate in having with us here a member of the Ways and Means Committee of the House of Representatives, who is Chairman of the Subcommittee on Double Taxation. I am glad at this time to introduce Representative Fred M. Vinson of Kentucky.

ADDRESS BY FRED M. Vinson

It was my pleasure to speak to the First Interstate Assembly, which convened here in Washington two years ago. It is a genuine pleasure for me to be with you today. Your work is a necessary one. We have had taxes with us from the year one.
But so complex is our civilization that for some reason people have not striven to alleviate the burden that comes to us from these conflicts. We have been told that there are 175,000 different governmental units in this country. When you visualize that condition it seems as if the struggle to iron out the difficulties may be insuperable. But I do not think so.

In the seventy-second congress, some of us had the notion that we ought to take a step in the direction of either lightening the burdens of taxation or perhaps, in some way, removing the burdens due to conflicting taxation.

The Ways and Means Committee of the House has a subcommittee that devotes its time to the study of conflicts in taxation: I am proud to be the chairman of that subcommittee,—in a way the liaison officer, or the contact man, for the Ways and Means Committee. We have, as chairman of that committee, one of America's most splendid gentlemen: You will be pleased to hear him speak today. If there is a man in congress who deplores the burdens of conflicting taxation, it is the chairman of the Ways and Means Committee, who will strive with all his power to cooperate in this movement.

Your Assembly occupies a most important position in this campaign. You are the liaison officers, you are the contact men, for the state legislatures. Nothing can be done by state government alone, nothing can be done by the federal government alone. It is at best a fifty-fifty proposition. We may have our views and you gentlemen may have your views, but we may not be able to sell those views to our respective legislative bodies. There ought to be a clearing house—a meeting of the representatives of the states and the representatives of congress—to discuss these problems. It is my firm belief that, if nothing more came from these meetings of the Interstate Assembly, than getting acquainted with the viewpoint of the forty-eight states, it would be a splendid thing indeed.

I recall, with pleasure, the discussion that took place here two years ago. I marvelled at the splendid presentation of the problems of taxation. I stayed here and listened, not only with pleasure but with profit, and I would like to suggest that not only do we have liaison agencies in the congress and this liaison agency of state governments, but we ought to get closer together than that. I would be happy to have the Commission on Conflicting Taxation, or such other committees as you might designate, to meet with our subcommittee on conflicting taxation.

I realize that this is not the work of a day, a week, a month, a year, or perhaps a decade, but it is a work that must be done irrespective of time. Today, all governments, whether local, state or federal, invade the tax field and gather taxes where they may. Even though we must have this heavy burden of taxation, it should be distributed as equitably as it can. Irrespective of whether the tax burden is heavy or light, the taxes should be distributed equitably.

There have been several methods suggested to solve the problems of conflicting taxation. There is the nationalization method, whereby the federal government levy would be made and the individual taxpayer in the state would receive credit for specified amounts against his state tax.

There may be many other methods suggested but we may not be able to use any particular one. We may have to mould a composite of them all.

We must study this problem. We need all the agencies that can be devised to study this problem. The suggestion of a national commission I have heard before. It might not be a bad idea, because we want all the thought and the study and the effort and the cooperation that we can receive. But when that is done, when the national commission or any other organization arrives at specific conclusions, then you need a liaison group. You need men and women to sell the plan devised to state legislatures, and you need that same contact with the federal government.

CHAIRMAN-MILLER: We are now going to have the pleasure of hearing from the Chairman of the Ways and Means Committee of the House of Representatives. It is my privilege to present Representative Robert L. Doughton of North Carolina, Chairman of the House Ways and Means Committee.

ADDRESS BY ROBERT L. DOUGHTON

I appreciate very much the opportunity and privilege of speaking to this intelligent
and distinguished assemblage of people upon what is one of the oldest and yet one of the most important and essential questions confronting the American people.

The subject of taxation is as old as civilization. It is as necessary and as indispensable as salvation. Over this subject wars have been fought, rumors of wars have been heard, dynasties, empires and republics have been overthrown. The people of our great country demand so much in the way of governmental service that the heavy burdens of taxation are necessary and indispensable. Our objective, which we will never attain but toward which we should ever strive and direct our efforts and our energies, should be, in my judgment; that no one should be required to contribute more than his just share of the burdens of taxation for a government that is honestly, efficiently and economically administered; and conversely, no one should be permitted to escape his just share of these necessary burdens.

Taxes are essential to the life and existence and maintenance of our government just as food and blood are to the existence and support of the human body. Therefore, our tax system should, if possible, be so fair, so just, and so equitable that every American citizen should as willingly contribute to the support of his government as he does to the support of his family.

Basis of Taxation

As a basis of taxation I would say, as has been mentioned here this morning, that the only sound basis is capacity to pay, or in the language of the Scriptures, "To whom much is given, of him much shall be required." Those possessing great wealth can better bear the burdens of government, or a larger share of the burdens of their government than the poor can out of their poverty.

The power to tax is not only a well-recognized privilege of any government but it is a duty that must be exercised if such government is to exist and function. While it is undoubtedly true that both the federal government and the several states abuse this power at times by excessive or unwise use, the greatest abuse possible would be the failure to provide, by taxation, for the funds required for the governmental func-

tions necessary to the defense and preservation of such government and the welfare of its citizens. Under our dual system of government, two sovereigns, federal and state, exercise virtually independent taxing authority within the same territory and upon the same people. Each government renders certain services to its citizens and, in turn, each must look to these same citizens for its necessary revenue. In exacting this revenue governmental officials owe these citizens the duty of a scrupulous regard for their interests and welfare. No person or class ought to be preferred and allowed to avoid a proportionate share of the tax load while those who are less fortunate are burdened with double taxes. We must keep the taxpayer's viewpoint and not only strive to distribute the tax load as equitably as possible but also strive to give the taxpayer his money's worth.

Two Levels of Government

The exercise of authority by two governments upon the same people opens the way for conflicting taxation, unless it is prevented by cooperation between the governments. In addition, there may be conflict between the state systems of taxation inasmuch as the profit sources open to taxation by one state may be confused and intermingled with those open to other states.

It is true that the federal government employs a few types of taxes which the states have not authority to levy, and, conversely, the states levy certain kinds of taxes which the federal government can not well impose. The states can not tax imports, nor can the federal government levy ad valorem property taxes which would be uniform and equitable, due to the fact that the Constitution requires such taxes to be levied on the basis of population.

The tax field, however, with these few exceptions, is a common hunting ground for both governments. Except for the property taxes levied by the states, the bulk of all governmental revenue, both state and federal, is derived from such sources as income, estate, inheritance, and franchise taxes, and excise taxes on sales. Pressed by the necessity for additional revenue, both governments frequently tax the same article or transaction.

The resulting double or conflicting taxa-
tion is not necessarily an evil, but it rapidly becomes one unless wisdom and discretion are used and there is due regard for the combined burden of both taxes. We are all agreed that such discretion has not been used and that we are now in the position where this combined burden, in a great number of cases, is too great, and is causing gross inequalities that will continue unless joint action is taken to alleviate this condition. From the taxpayer’s standpoint, there is considerable resentment, and justly so, when this combined burden, causes an inequitable distribution of the tax load.

Certain types of objects lend themselves particularly well to taxation. When taxes on such objects are highly productive of revenue and are capable of being effectively administered by the state as well as the federal government, they will tend to be exploited by both governments. Unless duplicate taxes on such objects are coordinated and due consideration is given to the combined burden thereon, they become unduly burdened as compared with those objects which can be effectively taxed by only one of such governments.

The actual financial burden of this duplicate taxation is not the only objectionable feature as viewed by the taxpayer. The waste of time and money involved in filing the necessary returns, keeping the proper accounts and data, and keeping track of his taxable status under rapidly changing taxing systems are extremely irksome, and add, to the taxpayer’s burden but contribute nothing to the revenues of the states. When a taxpayer, whose interests and business are nationwide, may be compelled to file a maximum of 22 income tax returns, no two of which are alike, the extra trouble and expense are apt to impress him very vividly with the waste and inefficiency involved in the lack of coordination of our taxing systems.

The tax conflicts which arise among the several states are nearly as serious as those which arise between the federal government and the states. The modern, widespread, unitary system of business which transcends state lines, and may, in fact, reach into every state in the union, has added new difficulties to an already complex situation. Property may be taxed in one state while the certificates of ownership thereto are taxed in another state on the basis of domicile. Income may be taxed in the state in which it arose and also in the state in which the recipient resides.

Until recently the estate and inheritance tax conflict between the states was a glaring example of the inequity and injustice which can be caused by lack of uniformity and coordination. Happily, this situation has been greatly aided by court decisions and legislative action.

We can not, however, depend on judicial interpretation to iron out all of these difficulties. There must be effective coordination between the federal government and the states, and between the several states, in order to remove the inequities caused by double taxation. We must constantly keep in mind our goal of a fair or just distribution of the taxes necessary for the maintenance of our governments. In the long run, no advantage can be gained by the levy; on the part of any state, of an unjust or unduly high rate of tax. Such a rate usually results in the loss of revenue rather than gain, as business will seek more favorable tax jurisdictions when the tax burden becomes oppressive. Moreover, high tax rates encourage tax evasion and tax avoidance.

Persons and property are continually moving from one taxing jurisdiction to another. There are numerous instances of the enticement, by means of lower tax rates, of persons and business enterprises to move across state lines. The federal government, being able to embrace all American business within its borders, is under no such handicap.

A further cause of conflict between the states is the difficulty in finding fair criteria for the allocation of income, in the case of business concerns whose activities extend over several states. The allocation fractions now in use, in a number of cases, actually cause the sum of the parts to exceed the whole.

Pressed by the cry of the distressed property owner, and the threatened collapse of the property tax systems in a number of jurisdictions, state authorities have been compelled to rely more and more upon the field in which double taxation is already encountered. There is no reason to hope for decreases in the present tax conflicts,
unless steps are soon taken to coordinate our tax systems.

Several methods of effecting an equitable redistribution of the tax burden, with special emphasis on the elimination of these evils, have been advanced. State-shared, nationally administered taxes; and the separation of tax bases, upon which conflicting taxes are now imposed, into federal and state fields are some of the most noteworthy of these suggestions.

The Committee on Ways and Means of the United States Congress has given serious consideration to the problems involved. We are fully cognizant of the fact, that, while the states have frequently encroached upon types of taxation developed by the federal government, federal authorities are no less guilty of the same offense. The members of the Committee realize the gravity of these problems and are willing and anxious to cooperate with the officials of the several states in an attempt to solve them. We are very much interested in the findings and conclusions of this Assembly and will give them careful consideration.

I have recently reappointed the Subcommittee on Double Taxation from the membership of the Committee on Ways and Means further to investigate this subject and to furnish a contact point between this Assembly and the federal legislators. The Honorable Fred A. Vinson, of Kentucky, who has already done some splendid work on this subject, is Chairman of this Subcommittee.

The purpose of this Second Interstate Assembly can not be too highly praised. The accomplishments of the First Interstate Assembly and the work done by such groups as the American Legislators’ Association and the Council of State Governments have helped materially to focus official attention upon the problems of conflicting taxation. Progress has been made in analyzing these problems and considering methods of their solution. There is no doubt but that a new spirit of cooperation is growing between taxing authorities and that the old policy of isolation and self-sufficiency is vanishing. We have learned that progress in any unit of government is hindered unless the officials of such unit exercise due regard for the welfare of the other governmental units. With praise for past performance, however, must go the realization that this task is just begun. The coordination of effort and mutual interest already demonstrated is very encouraging and, if continued, promises an eventual solution to the difficulties so prevalent in our present tax systems.

Senator Toll: I am sure I express the feelings of every person in this room, when I extend our very sincere expression of appreciation to Congressman Vinson for his very illuminating address and to Congressman Doughton for this careful statement which he has made. I am exceedingly appreciative of this opportunity to make public expression to these two officials of the federal Congress, of our gratitude not only for consenting to address us today but also, and more especially, for the national service which they have been doing in their work on this subject, in which they were the pioneers. The Ways and Means Committee of the Congress was the first governmental agency in this country to set up a unit, the unit of which Congressman Vinson is Chairman, to make a specific study of this problem of conflicting taxation. The members of the Interstate Commission on Conflicting Taxation and the officers of the American Legislators’ Association, during the last two or three years, have enjoyed the counsel, the active assistance and the constant cooperation of these two officials of the Ways and Means Committee. I may say that both Congressman Vinson and Congressman Doughton have, within the past two weeks, sat within the President’s office in the White House and discussed with him this problem of conflicting taxation, the work they have jointly done, and the work of this Interstate Assembly. I may say also that the active interest which the President of the United States is taking in this work is due very largely to the stimulation of Congressman Doughton and Congressman Vinson. In that connection, I should also mention the fact that his interest in this subject has been enhanced by two former New York State official associates of the President, Mr. Mark Graves and Senator Seabury Mustick, who have, on various occasions, discussed this matter with the President and to whom he has also expressed his active interest in the work.

I now wish to call upon the director of the technical work which has been in prog-
ress in behalf of the Interstate Commission on Conflicting Taxation. This Commission is maintaining a full time staff of five people in the administrative offices in Chicago. Dr. James W. Martin, who is the Director, is on leave of absence from his regular position, that of Director of the Institute of Business Research of the University of Kentucky. I am sure that everyone who is familiar with the field of tax research would agree that among the academic authorities on taxation, Dr. Martin is one of the five leading men in America. When I say "academic," I use the word in its finest sense and without any of the implications which are sometimes unfortunately attached to the use of that term. Dr. Martin is a man who has a rare combination of attributes. He has been a professional student both of government and economics. He has been very frequently consulted concerning tax problems of many varieties, not only by the legislature of Kentucky, but also by many commissions and boards of the state of Kentucky.

It is my great pleasure to introduce Dr. James W. Martin.

ADDRESS BY JAMES W. MARTIN

One of the issues in the problem that is facing this group is the issue of how to tackle the job. Now that should be not merely a problem for research workers, but it should be also a problem for political leaders and particularly for tax administrators. I have attempted to set down on paper a few thoughts that have occurred to me as to approaches to the problem of conflicting taxation, partly from the point of view of how the researcher should attack it. But I have attempted to weave into my discussion the point of view that the whole group of us must take if we are to seek a practical political solution of the issue. I should say not merely a practical political solution, but also an administrative and perhaps a psychological solution, because the whole problem involves the development of a proper attitude quite as much as it does the development of proper techniques.

I have begun the manuscript by indicating certain types of conflicts which are characteristic. The discussion thus far seems to me to render it unnecessary for me to go over that ground again. I think you have had enough illustrations of conflicting taxation in the various relationships between the federal government and the state governments, and between the various states, so that I need not again discuss that matter. So I turn to certain factors that seem to me should characterize all approaches to the problem of conflicting taxation.

Conflicting Taxation

One approach to the solution of conflicting taxation problems is the allocation of certain revenue measures to the federal government and certain others to the states and local subdivisions, a plan commonly known as "separation of sources." This device is recognized in the federal Constitution and should probably be utilized much more fully than the Constitution itself requires. It is not, however, to be regarded as the sole solution of problems growing out of tax conflicts.

It is important that problems of administration be differentiated in some measure from problems of revenue distribution. Doubtless, a case can be made for federal administration of certain tax measures while little or nothing can be said for federal utilization of the revenue produced by the same measures. For example, it has been vigorously argued in certain circles that motor fuel taxes should be administered by the federal government alone. Even those who maintain this viewpoint, however, generally insist that the states should expend the funds derived from gasoline taxation. Here, allocation of the revenues to a jurisdiction other than that which can most effectively administer the tax arises from the peculiar character of the motor fuel tax. In other instances, it may arise from no peculiarity of the tax itself but from a fiscal situation in which added support for the central government is less essential than additional revenues for states or their subdivisions. If, for instance, it should appear that federal administration of the corporation income tax is the best solution of conflicting corporate income taxes, then part of the revenue derived from this measure might well be distributed to the states on the ground that otherwise they would be
relinquishing revenues they could not afford to lose.

Generally speaking, in all study of conflicting tax problems it is desirable to distinguish carefully between allocation of administration and allocation of revenues, even though in most cases there may be no practical necessity for actual separation. Incidentally, in keeping with this viewpoint, it is highly important that techniques for the allocation of centrally administered taxes to the use of subordinate governmental units be more thoroughly studied.

Administrative Considerations Are Always Important

The most obvious administrative considerations associated with conflicting taxation are the cost, the measure of efficiency, and the feasibility of reducing the irritations to taxpayers. But it is undoubtedly true at the present time that the federal government could administer all state, local, and federal motor fuel taxes with little expense above that now incurred for collecting the federal tax alone. This arrangement, however, would necessitate a uniform rate. If rates—and particularly exemptions—were diverse, the expense to the Bureau of Internal Revenue would be greatly increased. From the point of view of efficiency and of convenience to taxpayers, also, central administration would be preferable. On the other hand, central administration would tend to check experimentation with various administrative devices and would prevent adaptation of gas taxes to local needs.

It was found, for example, that, under conditions existing following the World War, administration of state inheritance and estate taxes proved extremely difficult and demanded some solution. Precedents for solution by allocating the tax exclusively to the states were well established. Moreover, there was strong sentiment for this procedure. After extended study, however, an expert commission largely representative of state viewpoints decided that, for administrative reasons, the federal government should continue to impose an estate tax. The plan was adopted practically as recommended.

It may develop that personal income tax conflicts should be alleviated by coordinating federal and state plans rather than by retiring the federal or the state government from this field. Allocation of a part of the revenue to the federal government and a part to the states, with administration partially or wholly duplicated, may prove to be more desirable than administration exclusively by one or the other governmental jurisdiction. If this is the case, it will probably be necessary to have dual administration, as in the case of the death taxes, not only to avoid the evils of completely decentralized administration, but also because maintenance of administrative machinery by each agency contributes to its sense of responsibility.

Constitutional Problems Pervasive

It is necessary, too, to examine all problems of conflicting taxation in the light of the constitutional background. Someone has suggested that programs for tax reform should be developed originally without regard to legal considerations, and perhaps this is a good rule to follow in studying the possibilities of alleviating tax conflicts. Nevertheless, before the job is completed, it is essential that the legal possibilities of any contemplated change be thoroughly canvassed. It is in this sense that the legal aspect may be said to pervade all problems growing out of diversity of taxing jurisdictions.

Political Issues Invariably Important

Possibly the most important aspect of investigating programs of eliminating tax conflicts is that broadly referred to as the political. The term "political" in this connection is not used in its narrow sense, but has no reference to party politics. It concerns, rather, the feasibility from the viewpoint of public acceptance.

No particularly useful purpose is achieved by the development of comprehensive plans which have legal, administrative, fiscal, and economic advantages over available alternatives, if those plans involve legislation which the public, and hence the legislative bodies, would not accept. It is not improbable that, at least for the time being, programs for federal administration of numerous taxes are of this sort. The states do not look with favor on the federal government's monopolizing lucrative sources of
revenue, even though revenues should be shared. For that reason, they are unlikely to accept a plan which involves large extension of federal administration. This is not to say, of course, that this plan has no possibilities, but rather that it probably cannot be used, at least in the immediate future, as a complete solution for difficulties of taxation inhering in the multiplicity of governmental units.

No matter what particular type of study is contemplated, therefore, consideration of the attitude of the public toward the factors involved is important. Possibly study of this factor may be excluded from purely fiscal, administrative, or legal studies; but any comprehensive investigation or examination of conflicting taxation to be complete must give a large place to the simple question, "Will this or that procedure be acceptable to the people?" However, public opinion is by no means a static thing; so a program need not ordinarily be abandoned solely because it is unpopular.

II. SPECIFIC TYPES OF STUDY NEEDED

Techniques for Solving Conflicting Tax Problems

The study of procedures whereby the conflicts attributable to dual levies and diversified legislative and administrative policies may be alleviated or eliminated must occupy a large place in the attack on conflicting taxation. Students of the subject have given this aspect of the difficulty, especially those phases arising from tax levies by various levels of government, a prominent place in their discussions. The earliest papers on this subject by such eminent authorities as Messrs. Robert Murray, Haig, Franklin S. Edmonds, Mark Graves, and Clarence Heer emphasized this line of attack. Indeed some other students have seemed to think that this approach is a means of solving the entire gamut of conflicting tax problems.

On the other hand, the leaders in this type of study recognize that other approaches than investigation of techniques must be employed in order to reach a sensible solution to the problem. Some of these approaches may be briefly summarized with illustrations as far as possible from the investigations already reported.

A second attack on the problems of conflicting taxation now facing the United States involves weighing each conflicting tax measure in fiscal and administrative terms with a view to discovering what specific rearrangement is essential to eliminate or alleviate the evils inhering in them. Several variations in approach are possible.

Study of Particular Conflicting Taxes

One attack may be made in terms of a particular proposed solution indicating the varying possibilities of the proposal. For example, an examination of the possibilities of federal administration of general sales taxes with or without a sharing of revenues constitutes an appropriate application of this technique of investigation. Such a study estimates the fiscal and administrative consequences of a tax in terms of several proposed plans. For example, the recent Commission report on Sales Taxes: State vs. Federal, in addition to the statistical presentation of experience, includes a systematic, theoretical examination of the proposal. A more complete study would, of course, envisage a much larger number of plans for rate structures, for relationships with other tax measures, and for the scope of application.

Another possibility of this approach is the comparative study of alternative procedures for solving the difficulties of conflict. An investigation comparing the merits of the crediting device and of federal administration with the present plan of handling the corporation income tax is desirable. Such a study might include a canvass of the fiscal experience, the theoretical considerations involved, and the fiscal and administrative results growing out of each possible arrangement in comparison with the existing fiscal and administrative situation. By such an investigation it would be feasible to predict, comparatively, the direct consequences of each plan.

In the case of either of these two applications of the plan of investigating administrative and fiscal consequences of one particular tax, it would be essential to completeness that the influence on the entire fiscal situation be estimated. Preferably this should involve measuring the change effected by each proposal on the distribution of the entire tax load between individual taxes, the distribution of the burden
between different income groups, and, as far as possible, the influence of the change on the tax situation as it bears on different industries and businesses. These two applications of this approach obviously do not exhaust the possibilities; they give simply two concrete illustrations of situations in which this plan of investigation could be utilized.

A third type of investigation involves the examination of the entire gamut of conflicting taxation, or of a considerable part of the field, in terms of one particular limiting factor. Perhaps the best example of this type of investigation is the study of the legal factors in all or a part of the general field of conflicting taxation. One concrete illustration of this approach is found in Professor Harding's Double Taxation of Property and Income. This particular research examines only one aspect of the legal problem, namely, that involving discriminatory double taxation. Another type of legal analysis might concern itself with the constitutional possibilities of various plans of integrating tax systems of states with localities and states with the federal government, such as operation of the credit plan in fields tried and untried, the legal feasibility of federal sharing of revenues from each of several particular tax measures, and the feasibility under the interstate commerce clause in the federal Constitution of imposing restrictions to avoid discriminatory taxation by constitutional duplication of tax jurisdictions.

**Complete Revenue Picture Essential**

It is indispensable to any plan for improvement in the tax situation that information regarding the distribution of the tax load be made available.

The approach to the study of conflicting taxation through the development of a comprehensive revenue picture is essential in order that any proposed reallocation may be weighed in terms of its influence on the distribution of tax load: (a) between taxes; (b) between income groups and (c) between industries and businesses. Plans for the reallocation of sources of revenue and for the integration of the federal, state, and local tax systems should be made in the light of information disclosed by this type of investigation. At the moment, it is perhaps the type of study most needed as a background for such deliberation as that in which we are engaged in this assembly.

To present satisfactorily some of the difficulties of conflicting taxation, a complete revenue picture of the entire country is essential. Data available do not render possible an entirely satisfactory revenue summary for all states and their subordinate units, but some effort in this general direction is desirable. The revenue picture will disclose only part of the truth unless it is supplemented by information respecting public borrowing and other aspects of fiscal policy. If, for example, the state highway system of Kentucky has been developed only as current revenues are available for the purpose, while the state of North Carolina has borrowed millions of dollars for highway construction, a direct comparison of revenues for highways in Kentucky with those for highway purposes in North Carolina is misleading. In the former, revenues are raised for road purposes which, in the latter, are largely devoted to debt service, made necessary of course by highway construction actually already consummated. But, with proper interpretation in terms of fiscal practices respecting borrowing, budgeting, and accounting, it is possible to develop, partly on the basis of estimates, a revenue picture which will serve a number of purposes. The first objective of such a revenue picture should be to find out the relative and absolute load on various types of taxes.

This differentiation is important partly because studies heretofore made have developed evaluations of individual types of tax measures. These investigations have shown in some measure the kind of burdens imposed by property taxes, of those imposed by sales taxes, and of those imposed by income taxes. Only by statistical synthesis can the complete picture rendering possible this sort of appraisal be drawn. Incidentally, it should be remembered that the difficulty of accumulating such statistics has been enhanced recently by failure of the Census Bureau to continue publication of its Financial Statistics of States.

This type of approach is necessary also to an examination of the incidence of the tax system as between various income
groups. It is possible to a certain extent to measure the distribution of the tax load between income classes affected by any one particular tax measure, but only by aggregating the effects on each income class of each separate tax measure can the distribution of the load imposed by the entire tax system be estimated. Even with such data the estimates at best will be mere approximations. Incidentally, no comprehensive effort to formulate such estimates for the United States has been published.

It is important that the retarding influence of tax measures on business activity be reduced to a minimum. Measurement of the relative economic effects of the tax system on various industrial groups is an objective which a comprehensive revenue picture would serve. Poll taxes, personal income taxes, and other personal taxes are not particularly burdensome to industries as such. They fall, rather, on individuals as individuals or on individuals as consumers; and their only influence on industrial activity is indirect. But business taxes of most kinds, taxes on many kinds of property, and numerous types of consumption taxes, so-called, fall upon or incidentally affect business enterprises. Perfecting measurements of these effects is not easy, since it involves an understanding of the market situation, especially the elasticity of demand and supply, as well as the distribution of taxes and the effect of the one upon the other. None the less the effort is certainly worth making—not only for economic but also for political reasons.

Summary

Lest you may have been unable to follow my inadequate exposition, let me explain what I have been trying to say. In the first place, all general investigations of conflicting taxation should differentiate revenue from administrative problems, should emphasize administrative feasibility and economy, should stress constitutional and other legal aspects, and should recognize clearly all political factors involved. In the second place, I have suggested three sorts of attack on conflicting taxation each of which promises generous results: (a) appraisal of the various methods by which conflicting tax difficulties may be alleviated; (b) investigation from various viewpoints of particular conflicts and of proposed solutions; and (c), perhaps most important of all, development of a comprehensive revenue picture for the entire country, which will make possible an approximate measure of the influence of proposed remedies on the load borne by each tax measure, on various industries affected, and on each income group, and which will not only make available additional factual material but will also add perspective to any other approach.

Senator Toll: It has been suggested that opportunity should be given at this time for questions which have been raised by this paper. Accordingly, at this point, we are going to throw Dr. Martin to the lions and will be glad to have you ask any questions of Dr. Martin with regard to his discussion of the subject.

Hon. Mark Graves (New York): I would like to take the opportunity, not of asking a question, but of making a few observations that might be helpful to the people here if I stated them at this point.

I doubt if any of us appreciate the significance of the last approach that Professor Martin mentioned. I consider it, as he does, the most important of the three, but it is not to discuss this approach that I came up here. Many of you may not know that the federal government has requested each of the states to develop projects for the relief of unemployment in the various states, and one of the projects which the state of New York has presented for consideration—in the event that the $4,800,000,000 appropriation is made by the Congress—is a project to collect the precise type of data that Professor Martin mentions, for the state of New York.

My only excuse in being up here at the present time is to say to you tax administrators, you members of legislatures, and other officials, that an opportunity may be given to your state to secure, out of that unemployment relief appropriation, if and when made, an adequate allowance to do the kind of job that should be done in carrying out Professor Martin’s recommendation. I have sound reasons for believing that such projects will appeal to the federal authorities as the sort of thing for which federal allotments should be made. I thought you ought to know this so that...
you may take it up with your governor, who, I believe, is the official in your state with whom the federal government is negotiating along that line.

Speaker Belknap: May I suggest that you give just a little more detail on that? Just what have you proposed and how are you going to work that sort of an investigation? Have you gone into any detail on it?

Mr. Graves: No, because we don't know that we are going to receive the allotment of funds. In New York we have in our department a research organization, around which nucleus we could build an additional force to accumulate this particular data. We have submitted our project to the Director of the Budget in New York, the official who has been designated by the governor, as the person whom department heads should contact. We want to collect data, which never have been accumulated by the state of New York, with respect to the amount of revenue collected by each of the units of government, the sources from which collected, and the purposes to which it was devoted when collected. While we perhaps have as good statistics as any of the states, they are far from complete. They fail to furnish the data which a commission, like the Interstate Commission on Conflicting Taxation, needs to have in order to approach intelligently, a solution of the problem.

Speaker Belknap Assumed the Chair

Speaker Belknap: You are very much interested, I know, in what Mr. Graves has to say. I would like to have any other questions from the floor. I think the gentleman from Tennessee said he had a question he would like to ask.

Hon. John A. Chambliss (Tennessee): Mr. Martin was talking a while ago, during the course of his regular address, about the distinction between the administrative aspects of taxation and the revenue aspects of it, and to be perfectly frank—you know it takes more sense to ask a question sometimes than it does to answer one—I don't understand just exactly what he means and I would like to have him tell me and these other gentlemen from Tennessee what is the distinction.

One of the things that has immediately concerned us in Tennessee, in debating a sales tax, is this: Memphis is supposed to be the largest cotton center in the world and the delegation from that county has been very vigorously opposed to the sales tax, insisting that it would handicap Memphis as a cotton center. Now, in addition, there is this specific question. If a man is going to buy a Ford automobile and there is a sales tax on Ford automobiles in Tennessee, he will go to Rossville, Georgia, which is only three miles from the center of Chattanooga, and buy that automobile, will he not, Mr. Martin? And if so, how are you going to deal with that sort of problem.

Mr. Martin: The gentleman from Tennessee has raised a number of very interesting questions. I should like to take just a minute, if I may, before turning to those questions, to add a little to what Mr. Graves said about the sort of work the state tax department could do along the line of getting a complete picture of the tax situation.

It might be helpful to put it in concrete terms. It occurs to me that one of the things that may be done is to get a total picture of how much of the state and local revenue is raised from the taxation of each of several classes of property, depending on the statistics that can be developed and on the expense that can be incurred in the development of those statistics. That is one thing that practically none of the states have done in a really systematic way.

The same type of approach may be applied to the income tax, to the inheritance tax, and, incidentally, a study of data developed by analysis of the character of the states will be extremely helpful for several other purposes, both for analysis of income tax data and for the analysis of property tax data, to take only two illustrations. In other words, if you can get a complete picture of what taxes bear the tax load, of what business and industries pay those taxes, from what income groups each of the taxes is derived, it seems to me you will have a basis for appraising your tax system that never has existed before.

If the states and localities get this kind of picture it will be comparatively simple for researchers of the type represented by the staff of the Interstate Commission on Conflicting Taxation to do the rest, because federal statistics are pretty generously available whereas local statistics within most of the states are not available.
If I may take the questions raised by the gentleman from Tennessee in reverse order, I should like to speak of the purchase of the automobile as one issue. Two attempts to solve that difficulty have been tried in legislation. One of them is that incorporated in the North Carolina statute, which provides that the sales tax on no particular individual item shall exceed ten dollars. In my judgment that is a bad way of going about it, because it means that you enhance the evil characteristics of the sales tax. One of the worst characteristics of the sales tax is that it hits the poor people who can least afford to pay it, and that particular provision tends to increase that effect.

It is unfortunate, secondly, in that it does not solve the problem, because there are a good many instances in which the ten dollar differential is sufficient to cause the shift from one state to another.

The second measure that has been applied has been tried in two different forms, first in the state of Kentucky and second, three or four weeks ago, in the state of Colorado. No appraisal of the way the method works can be given, but I mention the method as one that may help to solve situations in Tennessee. The Kentucky legislature, immediately after adopting a general sales tax, passed an amendment to the automobile registration tax law providing that every automobile which is submitted for registration and was purchased after the enactment of the sales tax law would be required to pay, before it could be licensed under the registration provisions of the statute, an excise equal to 3 per cent of the value of the automobile, in the event it had not already been subjected to the sales tax.

That solution has been adopted by a somewhat different method in Colorado, but the methods are essentially the same. My legal friends tell me that this solution is open to grave legal questions. However, the Kentucky act has been brought before the highest trial court in Kentucky and perhaps the best one—it is in the city of Louisville—and the trial court has sustained the measure. I don't think the decision was appealed. The Colorado measure seems to me to involve somewhat more risk than the Kentucky measure because it is more apparently a burden on interstate commerce.

The effect is exactly the same, but the appearance of burdening interstate commerce is more substantial in the Colorado statute than the Kentucky statute.

In the case of the Memphis situation the only solution that I can suggest there is the exemption of cotton from the scope of the tax. There are some states—and this may include Tennessee—in which that would not be constitutional. In the Kentucky gross sales tax act, or gross receipts tax act as it is technically called, the solution reached on that particular point with respect to coal, which is the cotton problem of Kentucky, was to provide a definite limitation on the application of the tax to the coal industry. Such a scheme may be feasible in Tennessee if the provisions for excise taxation under the Tennessee constitution are comparatively generous. There are some of the states, including even some of the New England states, wherein the constitutions are very generous in many respects, and in which that sort of line would not properly be drawn.

Answering the original question that Mr. Chambliss proposed, namely the difference between the revenue aspects of conflicting tax problems and the fiscal aspects, I think I can do that more pointedly by means of an illustration. There is not much question in the minds of the great body of the American people, so far as I know, but that most of the highway construction and maintenance job should be under the direction of the states rather than of the federal government, the states and their subdivisions. And yet a good case can be made for federal administration of gasoline taxes. I suggested, in the first place, that I had chosen this illustration because the Commission believes that states should administer gasoline taxes rather than the federal government. Every member of the Commission, I think, admits there is strong argument to the contrary. All agree, however, that there is not much argument about who should spend the money. The point is that a careful study of the administrative problems should be made to see whether the federal government can administer gasoline taxes so much more effectively than the state governments can, that the job should be turned over to the federal government completely, as it already is in part. Such
a plan would contemplate that the revenue should be spent by the states just as it is now. I am not suggesting that as a solution, but as a thing that deserves, and I think inevitably must, receive a good deal of consideration.

Take another case. If all of the competitors of the city of Memphis in this cotton situation were subject to the same tax, there would be little difficulty experienced by Memphis in dealing with this problem. One group has suggested that the solution lies in turning that sort of taxation over to the federal government so that each city will have the same tax problems on that particular type of tax measure. A good deal can be said for that. A good deal can also be said on the other side, even though the states must have the revenue that accrues from that type of tax measure, or at least a share of that revenue.

_Hon. Myron B. Gessaman (Ohio):_ On this problem of taxing automobiles purchased outside of the state, I would like to ask Dr. Martin if the real answer to the whole question is to secure consent from the Congress to permit the states to tax certain types of interstate commerce? Anticipating your answer, let me say this: that a resolution already has been introduced in the Ohio Legislature asking the Congress for this permission. I believe it is in line with a bill introduced by Senator Harrison a few years ago. Is not that, after all, Dr. Martin, the only complete way of handling that proposition?

_Mr. Martin:_ The gentleman from Ohio embarrasses me in a rather unusual way. The gentleman asked my personal opinion, and as an honest man I have to give it to him or say I won't give it to him. It happens that my own judgment on that question is diametrically opposed to that of the Commission.

The Commission has unanimously approved that method of dealing with the situation, and the view of the Commission, it seems to me, ought to be given more weight than my own, because I was not associated with the Commission when it adopted that view, and I have not given the study the Commission doubtless gave it before reaching that conclusion.

My own opinion is that that is no solution whatever, and that it would create a good many evils. In some ways, it would meet the situation. It would give the states jurisdiction to tax these items that they do not now have jurisdiction to tax under the law. Actually, I believe it would not meet the situation because I do not think the states, even though they had legal authority to do this, would be able to administer the thing as a practical measure. There would be specific instances in which they could administer it practically, and it may be that those will be found anyway. Kentucky thinks it has found it already as regards automobiles. I should point out, however, that motor vehicles constitute only one class of difficulty and that there is a fairly substantial number of other classes of merchandise subject to this same difficulty, and that some of these items are comparatively small items which could easily be smuggled into the state even with a cordon of police around the borderline to prevent smuggling.

The thing I think is most unfortunate about that answer to the problem is that a cordon of police, if established around the boundaries of each state, would be nothing short of calamitous. However, it must be taken into account that some of the states, quite properly I think, have established that sort of an arrangement for the enforcement of gasoline taxes, under the legal authority that they actually have at the present time. That is rather ridiculous in its actual appearance, in some instances. I shall give one illustration. Along the eastern border of Pennsylvania you have a ring of policemen parading up and down the border to keep the "dishonest" inhabitants of Ohio from bringing gasoline into the state of Pennsylvania and selling it tax free to the "innocent" people of Pennsylvania. Over across the line you have a similar group of police—I presume this is still true, it has been for a number of years—attempting to prevent the "dishonest" people of Pennsylvania from bringing gasoline into the state of Pennsylvania and selling it tax free to the "innocent" people of Pennsylvania. Over across the line you have a similar group of police—I presume this is still true, it has been for a number of years—trying to prevent the "dishonest" people of Pennsylvania from bringing the same sort of gasoline into the "honest" state of Ohio. I don't know of any way to avoid that difficulty under the existing situation, and I think a good defense can be made for it. But to extend, unnecessarily, the handicaps to free trade between the states seems to me nothing short of a calamity.
We have done some of that by licensing measures of one sort or another, we have done some of it by taxes like the oleo-margarine tax, which is not designed to raise revenue but to prevent the sale in direct competition of products grown in other parts of the United States. It seems to me that if we can get our revenue and if we can get reasonably satisfactory means of protecting ourselves against persons who would dodge the revenue measures, it is desirable to avoid, at all hazards short of actually denying ourselves something we have to have, placing additional restrictions on free intercourse between the states.

I hope that some member of the Commission will tell me in polite terms that I'm dead wrong, because I really am embarrassed to express this point of view in the light of the fact that the Commission unanimously disagrees with me.

HON. HENRY F. LONG: While you are on that point, let me ask you a more or less hypothetical question. You have laid down a very definite rule as to why the free exchange of commerce between states should not be interrupted. Will you tell me if you have the same objection to a state setting up a barrier to prevent diseased fruit or vegetables, carrying destructive insects, or persons who may be carrying a communicable disease from moving across state lines? In other words, do you believe that these barriers, properly set up to protect the health of people, should not be set up by equal authority to protect the revenue sources of the people?

MR. MARTIN: If I conveyed the impression that I was trying to state it in absolute terms, I didn't intend to. I tried to convey the impression that I thought the plan Pennsylvania and Ohio had adopted was a desirable one. I agree with the gentleman from Massachusetts that certainly we ought to protect the inhabitants of one state against disease germs coming into it from another. We ought to protect the revenue system of one state against revenue disease germs coming into it from another, coming not because of the dishonesty of that state, but because of the circumstances that exist. Incidentally, my remarks about dishonesty of the states were merely facetious. I do think that we are justified, in both cases, in providing the absolutely necessary protection. I do not believe that we are justified in adopting questionable measures unless we have very substantial assurance in advance that they will be effective.

In the case of the gasoline tax, which I gave as an illustration of a case I think is justifiable, it seems to me you have one situation. In the case of the problem raised by the gentleman from Ohio, you have a case which in my judgment is not justifiable. The Commission believes to the contrary, and the Commission has given the matter more study than I have.

MR. LONG: Can I follow that just a step further? You and I are in agreement up to that point. Do you also agree that the expansion of the idea of protection under the commerce clause, as laid down by the Supreme Court, has been abused and that there was no thought under the commerce clause to offer the opportunity—such as the gentleman from Ohio suggests—of a direct invasion of something which should be fairly put upon the people of a given state; and under the commerce clause and the wide interpretation it has been given, that particular commercial advantage should be given to somebody under the guise of not interfering with commerce, but which actually is under the guise of taking something for personal profit?

DR. CHARLES W. GERSTENBERG (New York): I suggest that Mr. Long read the Will Oil Case decided by the Supreme Court.

MR. LONG: I did, and the point in that was entirely different from what I am trying to bring out.

DR. GERSTENBERG: The sky is the limit as far as the Supreme Court is concerned.

MR. LONG: That was a case of situs and contract entirely within the state of Pennsylvania.

DR. GERSTENBERG: But I rather think the tendency is such that all the fears of Mr. Long would be dissipated, and even this motion that is asked for is not necessary, or the bill that is asked for is not necessary. I might say that I don't think Mr. Long's parable between the disease germs and gasoline is quite appropriate. One is contraband in the inception and the other contraband in traffic.

HON. JOE S. BEAN (Tennessee): I
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should like to ask Dr. Martin a question relative to the sales tax.

Speaker Belknap: Will you ask your question, and then we will adjourn until one forty-five.

Mr. Bean: I should like to know what you consider the most equitable manner of distributing the funds derived from the operation of a sales tax back to the respective counties and municipalities of a state.

Mr. Martin: I will have to plead ignorance on that score. I don’t know, but I think, sticking to the general tenor of my original discussion, I may say that in my judgment the answer to this question depends on the situation in the particular state.

Answering now, in terms of the approach to the answer to your problem, and not in terms of answering categorically the question you ask, I think the answer must be made in terms of the background in the state which has led to the enactment of the tax measure, and that certainly no general answer can be made for all states. In the first place, in many of the states there might be no reason for distributing any of the revenue back to the local subdivisions. In the second place, there may be, in some states, an already established mechanism whereby it would automatically be taken care of. There may be, in another state, a situation which requires additional revenues collected by the state government for the support of, let us say, road services, or for the support of policing activities of the cities or the counties or some other local unit of government, and if that is the case then a mechanism suitable to that purpose must be developed. In another state, there may be need for additional educational funds.

Coming to a second type of answer to the question, it seems to me that it would be highly desirable, if the historical background in the state permits it, that the revenues be not earmarked for distribution on any particular basis, but that the plan of distribution of aids to localities be worked out separately from an earmarking of particular revenues, and that all of the revenue produced by your sales tax and income tax and property tax, if any, be placed in the general fund and distributed by orderly budgetary methods—rather than definitely earmarking revenues in the statute when it is originally enacted.

There are many states in which the situation is such that that cannot be done, and I recognize the difficulty. However, it seems to me a method that must, in the long run, be the proper solution to the problem.

Speaker Belknap: Gentlemen, if there is no further question we stand adjourned.

The meeting adjourned at 12:30 p.m.
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The meeting was called to order at two o'clock by Senator Ben G. Oneal of Texas.

Chairman Oneal: The meeting will please come to order. Gentlemen, if there are any further questions you wish to ask Mr. Martin he is prepared to answer.

Hon. J. H. Thayer Martin (New Jersey): I wish to state how New Jersey plans to answer the question asked just before lunch by the gentleman from Tennessee. He sought a method of distributing new taxes without causing too much rivalry between different units of local government.

We have decided that the answer is not to distribute it back by allocation, but rather to use the new revenue for state payment of the cost of services previously financed by the local property tax. First, we plan to pay a certain sum per pupil in every school district for the minimum cost of education. After sufficient money has been raised to cover that, any surplus will be used to pay the cost of elections and other types of expenditure of that nature which function under state control. This solution saves a great deal of strife over methods of allocation and tends to relieve local property taxes of those items for which local authorities are not responsible.

Chairman Oneal: Gentlemen, is there anyone else who wants to ask Mr. Martin any question?

Senator William H. Herder (Ohio): The speaker mentioned the 3 per cent tax on the value of automobiles. How is the value ascertained? Is it cost price at the time, and if so does not the expense of appraising almost use up the tax?

Mr. Martin: I can answer for Kentucky but not for Colorado. In Kentucky, the statute provides that the value shall be ascertained according to the method that the tax commission uses in ascertaining the value of automobiles. The tax commission already has an automobile bluebook in which it has estimated values of each kind of car—for personal property tax purposes. It is not an assessment for personal property taxes, but it is a method of suggesting the amount at which cars should be assessed, to the local assessor.

Chairman Oneal: Is there further question? Any further remarks by anyone on this subject?

We now come back to an earlier part of the program. At this time we will have the pleasure of hearing from the Honorable William Speer, Mayor of Wilmington, Delaware, member of the Advisory Board of the United States Conference of Mayors and present here as the representative of that Conference.

Address by William Speer

I first wish to express the regrets of Mr. Paul V. Betters, the Executive Secretary of the Conference of Mayors, who was to represent the Conference but was called back to Chicago.

At the recent annual conference of the United States Conference of Mayors, one of the leading speakers, in a discussion of the subject of public credit, made the following statement:

"We cannot go on with three layers of taxes, federal, state and local. What we really should have is a single tax-gathering bureau making a single scientific system which collects for all and registers the proceeds. Since that is a difficult thing to do, perhaps we can take one step towards it now. That is by reaching an understanding between the federal government, the state governments and the local governments as to sources of taxation, so that we do not double and treble one tax on another in the same field. A conference might well be called at which all these groups are represented for the purpose of trying to agree on a division of taxation; and we might make some progress towards a scienc-
The ten largest governments in the United States are made up of the national government, five cities and four states. To include all of the states required the listing of 165 governments, of which 116 were cities. New Mexico ranked 107 on the list and was separated from Nevada by 56 cities. Among the hundred-odd cities more important fiscally than Nevada are South Bend (Indiana), Rockford (Illinois), Quincy (Massachusetts) and Reading (Pennsylvania). This mode of ranking governments indicates that eight cities are more important fiscally than the states which contain them. And so the size and importance of the financial problem of the cities thus becomes evident.

Revenue Problem

With this as a background and turning to the immediate city revenue situation we find that, beginning with the depression, cities have been the victims of a squeeze. On the one hand, the necessary increases in local relief, work relief, and other depression appropriations, in spite of state and federal emergency funds, have been little short of appalling. On the other hand, the normal sources of revenue to which cities have been accustomed have, in large part, been drying up. Property taxes, which have accounted for the bulk of municipal income, have in many communities declined substantially because of increased delinquencies and reduced levies. Meanwhile, many subventions from the states have declined or disappeared, and for the most part new grants have been conspicuous by their absence. Thus, the typical American city has been in the position of having increasingly expensive jobs to perform with constantly decreasing revenues out of which the expenditures could be met.

In part, the difficult revenue problem facing municipal governments is the outgrowth of the process by which city revenue sources are chosen. In the American economic situation, the federal government takes first choice of revenue sources, the state chooses from what is left, and local government must accept whatever means of raising money neither of the larger units of government find worth having. For the most part this has meant local dependence on property taxation. The difficulties of the
situation are enhanced, for the time being, not only by the factors which have been pointed out above, but also by the current, partly successful campaign for overall tax limitations which seeks reductions in property taxes without any provision for replacement of the necessary revenue.

**Possibilities**

Speaking broadly, there appear to be three separate, though closely related, avenues of escape from the difficulty, none of which, alone, can be regarded as a complete solution. Only one of these possibilities is open, in any considerable measure, to achievement by municipal action alone—and that is so only in part. That possibility is improvement in the administration of property taxes, both as to assessment and as to collection. This attack on the revenue problem, while susceptible of utilization in part by local action, is not in every case available to cities as such; since in a great many instances either assessments or collections, or both, are administered by counties.

The second means whereby the city’s revenue situation can be relieved is through state or even federal assumption of financial responsibility for certain activities hitherto financed by local revenues. Legally, education is a state function; and there is good reason for the state government to assume increased financial responsibility for support of common schools in many of the states. Again, the state highway traffic which is routed over city thoroughfares necessitates in most parts of the country substantial city expenditures for maintenance, repair, and regulation. These financial obligations might well be more largely assumed by the state. Such a program, needless to say, should be accompanied by centralization of motor vehicle and gasoline taxation in the hands of the states, as indeed is already the case in most instances.

Thirdly, and closely akin to the second suggestion, there is substantial possibility of increasing the use of state grants-in-aid and of state-administered, locally-shared taxes. With certain exceptions new sources of revenue available to cities are really accessible only through state administration with local sharing on some basis. Already some grants are made in the various states for streets, for education, for health work, and for other specialized purposes, as well as for the unrestricted support of municipal activities.

A plain fact confronting the cities is that both state and federal governments have invaded most of the areas of possible revenues and have thus cut down the opportunities of local areas to finance themselves adequately. These upper levels of government generally have assumed that, in the main, local government can be financed on an adequate scale through a reliance upon that oldest American tax form, the general property tax.

We do not wonder, therefore, that under existing conditions municipal government financing, especially during depression times, becomes difficult. Not so difficult is the problem of the state and the federal governments. Taxes are collected by these units at the source every time a transaction is made. It is an interesting commentary on the relative revenue-raising capacity of local and federal governments that federal income taxes collected in 1934 are greater than in 1933. Meanwhile, local revenues from property taxes have continued to drop.

As a matter of fact, income taxes are paid by that very person who sometimes, because of such payment, must allow his property taxes to go delinquent. This same situation appears in such taxes as are levied on gasoline. The same people who cannot or do not pay their property taxes buy gasoline, often a necessary commodity in their business.

**Tax Competition**

Of course, if solutions for the municipal revenue problem are not found in the three general directions just mentioned, there is no other recourse other than to go into tax competition with the states and federal government—for essential municipal services must continue. If the state gas tax is not shared, local gas taxes will eventually develop—as well as local whealage levies. We already find municipal sales taxes—with the impost in New York causing and creating interstate problems. Even the income tax is being applied locally—the most recent one being that for Wilmington, New Castle County, Delaware. All of such in-
individual steps only lead to additional confusion in a system which already is super-chaotic. But in many cases there is no other choice.

One of the chief difficulties in solving municipal revenue problems is that, traditionally, the population has come to regard government as a set of many independent units, whereas in fact, government is a unit. It exists to satisfy the collective wants of the people in the communities governed. Hence it matters not which particular unit in the hierarchy performs a function so long as that function is most efficiently and most economically executed. Nor does it follow that the unit which can most effectively collect the taxes is the unit which should retain the proceeds of such taxes. Traditionally, in American public finance, the course of development has been that the unit which could effectively collect a tax has also, as a rule, retained the proceeds. It has only been within recent years that the states, led by New York, have been willing to recognize their obligation to provide a portion of the funds for local government. A few commonwealths have begun to share with local governments a portion of the state-collected taxes.

Misconception of Taxing System

Much has been made in Washington, and by critics of federal policy elsewhere, of “the spectacle of cities which appear hat in hand for federal moneys.” Cities are caricatured as mendicants asking for funds to which they have no vestige of claim; they are asking for other people’s money. Of course, this is an entirely misleading statement of local-federal relationships and the fiscal problem. It should be remembered that Washington is the revenue collector of moneys needed not only for the national service, but also for any functions which it may undertake within local areas. Just now the federal government is carrying on vast local relief and public-improvement undertakings as emergency functions. It is meeting needs wherever they are. It is urging cities to work with the general government in various programs. In prosecuting its national program, Washington is returning to cities certain portions of the revenues collected in these industrial areas. I call to your attention this misconception of our taxing system and its overlapping.

One Administrator—One Collector

The time, I hope, will not be far distant when the federal government will become the agency to administer and collect the bulk of the taxes for all governments in the nation, and to allocate these funds through proper budget techniques to the various agencies of government in proportion to their need for funds. Only in this way can a tax system based upon capacity to pay be developed. The problems of municipal finance cannot really be solved until the functional and financial relationships between urban and rural units, and between national and local governments are settled on the basis of fundamental principles rather than on judgments of expediency. Until there is but one unit of local government in every one spot, and until government service is rendered as a unit instead of by the piece, fiscal conflicts and difficulties will remain. The solution lies in coordination and integration of governments as well as in the coordination and integration of fiscal systems.

If large improvement in the municipal revenue situation depends, as I have attempted to show, on the coordination of state and local revenue systems, including state assumption of state functions hitherto performed locally, state grants-in-aid of particular activities, and state administration of locally-shared taxes; then the significance of interstate and federal-state conflicts for municipal revenues becomes obvious. It is my feeling that there must be careful coordination of state and municipal revenue programs; and, if state revenue programs are wrecked by fratricidal strife with other states and with the federal government, the difficulty of municipal improvement by coordination with this wreck is clear.

In the contest between the states and between the states and the federal government for sources of tax revenue the municipalities are standing on the side line and watching sources of income, in which they should be sharing, dissipated in the fight. State administrative efforts, which might well be devoted to assisting municipalities with property tax administration and de-
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developing new sources of revenue in which municipalities would share, are now being wasted in a large measure as a result of strife. We therefore offer to do our part in this important movement.

CHAIRMAN ONEAL: Now in order that we may get better acquainted here I think we will take a little time and let the spokesman for each delegation introduce the members of the delegation who are here. If someone wants to bring a message of good fellowship to us in two or three minutes, we would be glad to hear that. The secretary, for that purpose, will call the roll by the states in their alphabetical order.

Here followed the roll call by states with responses.

CHAIRMAN ONEAL: To revert to the regular program, you have heard the attitude of the states, concerning the removal of tax conflicts, as given to you by Dr. James W. Martin, Director of Research for the Interstate Commission on Conflicting Taxation. You have heard the viewpoint as given to you by Mr. Speer, Mayor of Wilmington, Delaware. We are now to hear the viewpoint of a Congressional research director.

I wish to take this opportunity to say to all of you that we have had the most generous cooperation in our work of the last two years from the man who is going to speak to you. Always friendly and sympathetic, he has been available to those who have gone to him from the Interstate Tax Commission for help, and he comes to us today in that same sympathetic mood to speak to us. I have the pleasure now of introducing and presenting to you Mr. Lovell H. Parker, Chief of Staff of the Congressional Joint Subcommittee on Double Taxation.

ADDRESS BY LOVELL H. PARKER

As a boy, I used to accompany my father, who was Town Clerk and County Treasurer in the town of Barnstable, to the annual town meeting. One year it was brought out in the meeting that the muskrats were doing considerable damage, so the town of Barnstable voted to pay a bounty of 25c on each muskrat killed. The person killing the muskrat was to produce the tail of the animal; and the county treasurer would give him his 25c, record it, and burn up the tail so that it could not be used again.

It happened that the town of Mashpee, an adjoining town, at the same time put a bounty of 25c on muskrats, but the evidence of the killing of the animal there was the presentation of the ears, so all you had to do was to go out and kill a muskrat, take the tail over to the county clerk of Barnstable and the ears to the county clerk of Mashpee, and get 50c, which of course was double what was intended.

Nothing could be done about it, but everybody knew about this thing, so on the next fourth of March, Barnstable changed its bounty so that they paid 25c on the presentation of the ears instead of the tail. Unfortunately, they had the same bright idea in Mashpee and they changed theirs to a bounty on the tails. So we had another year of double bounty.

Then they finally cooperated, and when they met on the third or fourth of March, Barnstable changed back to give its bounty on tails and Mashpee remained in status quo, so the thing was all right.

I cite this as an instance of the need for cooperation between any governments dealing with these matters. I am rather of the opinion that some of our instances of double and multiple taxation which exist today are just as ridiculous as the double bounty on muskrats.

Congressional Committees

I have been asked to describe to you the studies which the Congress has caused to be made on the subject of double or conflicting taxation. I appreciate this opportunity and I shall also take the liberty of speaking briefly in respect to what is hoped for in this connection in the future.

The first definite step taken in Congress, having as its object the coordination of federal and state taxes, resulted from a motion made by the Honorable Fred M. Vinson of Kentucky, on June 16, 1932, in the Committee on Ways and Means of the House of Representatives, providing for the appointment of a subcommittee "to make a comprehensive study and investigation of the overlapping, duplication, and lack of correlation of taxation by the federal and state governments." The motion having been adopted, the chairman of the committee, the late James W. Collier of Mis-
sissippi, appointed a subcommittee on double taxation composed of Mr. Vinson, Chairman; Mr. Cullen of New York; Mr. Lewis of Maryland; Mr. Chindblom of Illinois; and Mr. Crowther of New York. Subsequently, Senator Harrison, Chairman of the Committee on Finance of the United States Senate, appointed the following subcommittee on double taxation: Senator King of Utah, Chairman; Senator Barkley of Kentucky; Senator Byrd of Virginia; Senator Reed of Pennsylvania; and Senator La Follette of Wisconsin.

In consideration of the importance and scope of the investigation to be undertaken, the subcommittee agreed upon a plan of procedure, the first step in which was the preparation of a fact-finding report to set out the necessary data relative to federal, state, and local taxes, the duplications therein, the revenues collected, and the disposition of such revenues. The purpose was to publish this report as a basis for the consideration of the problem by the Congress as well as for public examination and analysis. It was decided to defer any definite proposals for the elimination of conflicting taxation until after the fact-finding report had been studied and discussed. At the request of Mr. Vinson, Mr. Collier, then chairman also of the Joint Committee on Internal Revenue Taxation, authorized me, as chief of the technical staff of that committee, to collect the necessary data for the report under the direction of the subcommittee.

Inasmuch as the report was expected at the opening of the next session of the Congress in December, 1932, only six months were available for its preparation.

**Double Taxation Report**

However, the fact-finding report was completed and printed and ready for distribution in the first part of January, 1933. The report was entitled "Double Taxation," and it is hoped that it has served a useful purpose. It evidently created considerable interest, as the first edition of 4,500 copies was soon exhausted. The preparation of the report involved a wide field of investigation and required considerable labor. It contains some 325 pages and numerous statistical tables.

The report describes the taxing powers and limitations of the federal and state governments under our dual form of government and their respective tax systems. It endeavors to show all cases in which duplicate or double taxation exist between the federal and state governments, which were some 326 in number at the time the report was published. The revenue derived from the various taxes by the federal government, the states and their various political subdivisions is shown as far as data were then available. A number of approximations were made in order to give figures on total tax burden. Similar data were shown as to the expenditures and the purposes for which expenditures were made. The investigations made showed the enormous increase in the tax burden, as well as the shifting of that burden in recent years. Some investigation was made in respect to the tax systems of various foreign countries, the results of which are included in the report.

The report obviously justifies the conclusion that there are many instances of duplication in taxes between the federal and state governments, some of which could and should be removed, that the burden of taxation on certain specific objects has reached the point of diminishing returns, and that our present tax system is not only complicated and cumbersome, but in many instances inequitable.

The publication of the preliminary report by the committee did not conclude its interest in or study of this most important subject. Honorable Robert L. Doughton, now Chairman of the Committee on Ways and Means, recently reappointed the subcommittee on Double Taxation for the present Congress. The committee consists of Mr. Vinson of Kentucky, Chairman; Mr. McCormack of Massachusetts; Mr. Lewis of Maryland; Mr. Reed of New York; and Mr. Jenkins of Ohio, with Mr. Doughton taking part in the deliberations of the committee as ex-officio member.

The staff of the Joint Committee on Internal Revenue Taxation is continuing its work. The statistics in respect to taxes are being brought up to date and made more accurate and complete. A study and compilation of the constitutional provisions of the several states with respect to taxation has been made setting out more fully their
powers and limitations. During the year 1934, in 38 sessions of state legislatures—only nine of which were regular sessions—over 400 laws with respect to taxation have been enacted. No diminution has been noted in the number of objects subject to double taxation. Sales taxes in various forms have been imposed by the states and there seems to be a tendency to shift the burden from real property to other subjects of taxation. Taxation of natural resources seems to be growing in favor. In short, the staff of the Joint Committee is in a position to publish promptly a revised and up-to-date report on Double Taxation when the opportune time arrives.

English Experience

During the past summer, I had the opportunity of visiting England, in company with representatives of the Treasury Department, for the purpose of investigating the tax system of that country. A study of the British system is very helpful to those who are interested in the conflicting taxation problem, for in England no double taxation of any consequence exists. In spite of the fact that the per capita tax burden in Great Britain is nearly one-third greater than in the United States, that burden seems equitably spread and not unduly repressive on business. In my opinion, the same total burden in Great Britain would be unbearable if they employed our uncoordinated, overlapping and duplicate system of taxation. Conversely, I believe, if our tax system were coordinated and the federal government and the states imposed their taxes in accordance with a harmonious plan, that the present total tax burden in this country would be much more easily borne.

In England, approximately two-thirds of the revenue is collected by the Crown and only one-third by the local jurisdictions. In this country the reverse is true, and about one-third of the revenue is collected by the national government and two-thirds by the state and local governments. The revenue collected by the local authorities in England is supplemented by grants-in-aid from the Crown. The only real tax imposed by the local authorities is the real property tax, known as "the rates," although it is true that some income is collected locally from fees, tolls, and publicly owned and operated utilities.

In spite of the fact that the British National Government collects the bulk of the taxes, nevertheless a large part of the expenditures are made by the local authorities, since funds are made available to them by the Crown as already stated. In fact, there are approximately 15,000 local governmental units, composed of county councils, town councils, borough councils, rural district councils, and parish councils. It results from the system thus briefly described that the taxes in England are uniform and are administered efficiently and economically in all parts of the island, and, on the other hand, expenditures are largely made by local authorities who are thoroughly cognizant of local conditions and local needs. No one believes, of course, that we can transplant the British system in all its aspects to this country, but, on the other hand, it is well worth while to consider the tax experience and results obtained in that country.

It seems pertinent to this subject of coordination of taxation to state certain facts which have a direct or indirect bearing on the subject.

Important Facts

First, it is important to keep in mind the total tax burden. For the fiscal year ending June 30, 1934, the total revenues of the federal government from taxes and customs amounted to $2,986,000,000. For the same period, it appears that the state and local government received a total revenue of approximately $6,400,000,000. The total per capita burden, therefore, was slightly over $74. Twenty years previously the federal revenues amounted to only $735,000,000, and state and local revenues to roughly $2,600,000,000. This gave, for 1914, a per capita tax burden of only $34. Thus, in twenty years the tax load has been increased nearly 120 per cent on each man, woman and child.

Second, in respect to outgo, the federal expenditures in 1934 were $7,105,000,000, while state and local government expenditures may be estimated at approximately $9,300,000,000. This indicates a per capita expenditure of $130. In other words, in the present situation, where so many emer-
Emergency expenditures are necessary to aid recovery and to give relief, the per capita outgo exceeds the per capita revenue by about $56. By way of comparison it might be stated that the per capita tax burden in Great Britain is about $99 and the per capita expenditure $115, so that in that country the tax burden is greater but the expenditures less on a per capita basis.

Third, the total public debt of national, state and local governments amounted to about $46,650,000,000 on July 1, last. This is a per capita debt of about $370. In England the per capita debt is approximately $990. In the United States about 16 cents of every tax dollar goes to the payment of interest on the public debt; in England about 33 cents of every tax dollar goes to interest charges.

Fourth, as far as the federal government is concerned, internal revenue receipts are on the increase. Total internal revenue receipts for the first seven months of this fiscal year are $334,000,000, or 24 per cent, above the collections for the corresponding seven months of the preceding fiscal year. The principal increases are noted in connection with the income tax, estate tax, tobacco tax, and liquor tax. The only decrease in revenue of any consequence is in connection with the stock transfer tax.

Fifth, instances of duplication of taxation on the same objects by the federal government and the state governments are increasing under the pressure for more revenue. In 1932 we found 326 instances of double taxation between the federal and state governments. A rough count in the spring of 1934 shows 883 instances of this nature. The increase in duplication is largely due to the imposition of liquor taxes and sales taxes by the states.

Sixth, aside from the increase of the tax burden in recent years; there appears to be an enormous increase in the number of returns, reports, and records required of the taxpayer by the various federal, state and local taxing units. The cost of making these returns and reports and of keeping the necessary records adds materially to the gross tax burden without increasing the revenues of the governments. On examining the federal and state tax calendar for March, I find it would be quite possible for a corporation doing a nation-wide business to be required to file returns and reports or to pay taxes in 191 different instances in that one month of the year. It is not difficult to visualize the force of accountants necessary to do this work and the number of lawyers necessary to keep the corporation advised on the requirements of existing law.

Coöperation

Returning to the matter of Congressional studies of conflicting taxation, from which I have somewhat digressed, I believe it is safe to say that the committees of the Congress dealing with taxation will continually keep themselves informed as to the existing facts in connection with this subject. It is my personal opinion that actual results in eliminating the evils of conflicting taxation can best be accomplished by the fullest cooperation between these federal committees and the state governments as represented by this assembly and its committees. At least this seems true unless the Federal Constitution is changed, for under that Constitution there is practically no bar to the federal government from levying all forms of taxes and practically no bar to the state governments except in the case of import duties. In other words, no legal obstacle exists to prevent the present state of duplication of taxes on the same object or to a further increase in such duplication.

Furthermore, without a constitutional amendment, no practical plan of direct legislation has been devised whereby the Congress can secure consistency and uniformity in state taxes.

It seems to follow, therefore, that in the present situation the only immediate hope is for cooperative action by the federal and state legislative bodies. There is real need for this cooperation.

It is my sincere hope that actual cooperation in taxation between the federal and state governments will soon be a fact. Personally, I look forward to the time when the committees of the Congress whom I serve will instruct me to proceed with the investigation of methods of improving the present tax maze. There is certainly no lack of work in the tax field. In addition to the problem of conflicting taxation, much can be done in the field of simplification,
and much in the field of uniformity in state taxes.

It is perfectly obvious from the existing facts that the tax burden must be heavy for some years to come. It is especially necessary, therefore, to spread this burden as equitably as possible. With low rates of tax, conflicts and inequities are not seriously felt. With high rates, the same conflicts and inequities become almost unbearable. This Assembly is to be congratulated on starting and continuing a movement which can not fail to be of final benefit to every citizen in the country as well as to every governmental unit therein.

CHAIRMAN ONEAL: I desire to thank you on the part of the Assembly for having come here and given us this report.

Discussion

JUDGE JAMES M. GRAHAM (Illinois): The speaker mentioned the fact that there was a public debt of $46,000,000,000. I would like to inquire if that includes government loans such as the HOLC and other loans of that character.

MR. PARKER: It does include that.

JUDGE GRAHAM: That isn't fair, is it, to call that a public debt?

MR. PARKER: It is always set up in the government accounts that way. The public debt last July was about 27 billion. The debt of the states and local governments was about $19,600,000,000. That is offset by other assets of the government.

HON. R. BEVERLEY HERBERT (South Carolina): I would like to ask Mr. Parker if he can give us any idea what those assets were estimated to be worth, aside from the foreign debt and aside from the public buildings. What values are there in money advanced for the home owners' loans, or other liquid assets of the government?

MR. PARKER: I can't recall offhand. You can get accurate information on that point from a release of the Treasury some two or three months ago, which went very thoroughly into that question. All I can recollect now is that it was approximately four billion dollars.

CHAIRMAN ONEAL: Now if the members of the Assembly have any resolutions that they want to introduce and have referred to the Committee on Resolutions, they are in order.

The resolutions were presented to the Chairman for reference to the Resolutions Committee.

HON. HENRY LONG (Massachusetts): I move that we now adjourn.

The motion was seconded and approved. The meeting adjourned at 4:10 p.m.
Saturday Morning Session
March 2, 1935.

The meeting was called to order at 9:30 by Senator Toll.

Senator Toll: You will recall that at yesterday's session, in connection with the address of Mayor Speer of Wilmington, Delaware, Judge Graham of Illinois requested to be recognized, but on account of complications in the program at that time it was impossible to do so. As the first matter to be taken care of this morning I wish to recognize Judge Graham of the Illinois delegation.

Judge James M. Graham (Illinois): I want to compliment the author of the manuscript. It was very cleverly arranged, his position was very well fortified by facts and cogently argued. If one were to concede his premises, he could hardly avoid his conclusion. The point to his paper was that we had too many taxing and collecting agencies, federal, state and local, and he urged that one, instead of three or more, should have control. His conclusion was, in substance, that he hoped the federal government would collect all taxes and distribute them among the states. That was the point to which I took exception and concerning which I wanted to put my protest on file.

The writer of the paper omitted a very important, a controlling factor. It is not alone a question of the economical collection and distribution of taxes. There is a very important political question mixed up in it,—the effect it would have on our system of government.

This procedure, if followed, would take the taxing power from the states—the collecting and disbursement of taxes—and give it to the federal government, a long stride backwards. Let me emphasize that home rule—state sovereignty, if you please—is the real secret of political liberty.

For that reason I could not give my assent to the logic of the very excellent paper which was read before us yesterday and I would not feel comfortable if I failed to record my dissent.

Speaker Belknap assumed the chair.

Presidential address by William B. Belknap

I happen to be the first speaker on the program, to give you my annual address. It has been my good pleasure to be President of the American Legislators' Association for three years. I hope and believe that Mr. Toll, and the rest of you, are going to find somebody to take my place, as I do not think it is healthy for one man to hold office too long, and there is certainly plenty of talent in this organization.

I have been very proud and am very proud to have held this position. The organization has gone forward more than you who have come here for the first time can realize.

Progress

We still have a very long way to go. My guess is that we will always have a long way to go if we are a "live" organization. Those of us who have watched from the beginning are very thankful and can but marvel to see how far we have come. We have seen the Interstate Reference Bureau grow from nothing but an idea to the place where it serves hundreds of legislators annually with information needed for the production of better legislation. We have seen State Government grow from something little more than a pamphlet to one of the most used and respected magazines in the nation.

We have seen the growth of regional meetings, truck and bus conferences and other meetings, and we have seen the states take up that idea and carry it through in their own way, which is, after all, what we want. We have seen pre-session conferences started, and I want to say to those...
The promenade of the Mayflower Hotel in Washington was converted into an avenue of state banners on the occasion of the Second Interstate Assembly.
of you who have never tried a pre-session legislative conference that you have no idea what a help it is to a legislature to get the members together before the heat is generated and while there is still some light. Certainly, if we have done nothing but start the idea of pre-session conferences, our whole existence has been justified.

The Interstate Assembly, born two years ago, has shown healthy growth and the work of the Commission on Conflicting Taxation, which it created, is something that we will feel more and more proud of as time goes on. It is going to take you, who have not worked with the material they have gathered together, some time to appreciate the significance of what they have accumulated in the way of tabular facts and supporting text material.

Respect for Legislators

Along with these more tangible achievements we have worked to rebuild respect for legislators. You know, and the lawmakers, both national and state know, that it has come to be the fashion to make a joke of all lawmakers. This disrespect has become a very dangerous thing in our civilization. One of our best public writers has said that it is the seed of the growth of an idea which will destroy all democracy, that by the time the newspapers and the press, in general, have achieved their apparent goal of destroying all respect for anyone who holds public office, the people's faith in government will be entirely dead and the governments will disappear. That is a pretty strong statement, and yet if you will think it over I believe you will agree that there is a very real danger in the continued derogatory remarks about legislators.

It might interest some of you to know that I was informed, on very good evidence, that in one of our largest cities people were looking for the highest type mayor they could get. A committee of the best citizens was formed to try to persuade the individual selected to run. The first sixteen men approached all refused to be candidates, and all gave the same reason. Every man approached said he was unwilling to subject himself to the abuse of the press. As one man remarked, "I have a happy home, I have a wife and three children and if I should accept and be elected it wouldn't be two months until my children would be coming home, in tears, saying that the children at school had said their father was a liar, and had proved it by showing it to them in the newspaper."

Of course one of the outstanding objects of this Association is the desire to effect cooperation both between the states and between the states and the nation. I think we have already awakened a very real sentiment in that direction.

Behind the Scenes

I want to answer a few of the questions that have come to me from some of the people who have been here for the first time, and some who have been here before, as to what this organization really is. I have no doubt there are men here who have no more than a general idea as to the mechanics of the American Legislators' Association, and there are others with whom its project is rather a nebulous idea. When you go home you are going to be asked who, what and why.

Senator Henry Toll is the man who is responsible for starting the organization, but he, his Board of Managers, and his staff have honestly tried to make it a democratic organization and have tried to throw upon the members all the responsibility they would take.

All of us have fought to keep the American Legislators' Association free from propaganda and partisanship. I don't know whether you realize how hard it is to get away from this idea of propaganda. The American Legislators' Association has, I think very rightly, felt that it is a service organization to and for legislators. There has been no attempt to sell ideas to the general public in America. We have enough propaganda organizations in this country to supply the whole world. That is not what we need. What we need is what I think we have, a highly professional group of men interested in the betterment of their profession.

When it comes to the point where we have to deal with controversial subjects, we have tried, as far as possible, to divorce them from the American Legislators' Association through the mechanism of the Interstate Assembly and the various commissions ap-
pointed by it. When a report is issued, in favor of some particular proposal, it is not sent from the American Legislators' Association but it is issued through some specifically named group such as the Interstate Commission on Conflicting Taxation. These groups must take personal responsibility for what is said or written since we don't pretend to involve people who have never individually committed themselves on the subject.

The Council of State Governments

Our experience with the First Interstate Assembly made us realize that in order to maintain the necessary continuity and stability, we must bring into our group some of the administrators with whom we are constantly associated in our own state capitals. Therefore, the Council of State Governments took form and we are making an earnest effort to associate with us in this broader organization the National Association of Attorneys-General, the National Association of Secretaries of States, and the various other associations of state officials which are trying to better state government.

You all know the terrific turnover in the membership of state legislatures. You realize that before the next Interstate Assembly meets, many of us may be in the political Great Beyond. Yet we must keep this organization going continuously. We have been very fortunate in getting such men as Mr. Long of Massachusetts and Mr. Graves of New York to maintain active interest in this movement, and such men supply the necessary continuity.

Financing

All of this was originally financed by private subscription, but I want to say frankly that most of our activities in recent years have been financed through the great generosity of the Spelman Fund. It has been a wonderful thing to see how generous the Spelman Fund has been with us and how completely they have allowed us to form our own plans. The administrators of this fund have never embarrassed us in any way by making suggestions as to how the organization should be run. So often, when you take money from some private or semipublic source, that source claims the right to have a very considerable say in how things should be done.

However, with all due respect to the Spelman Fund, I feel that if we are to maintain our self-respect, we must go to our own states for financial backing. It is the states' business and the federal government's business to support this organization, which is filling a need that is not met by our governments at present.

Therefore, I am going to urge upon you as seriously as I know how, to try to help us get the proper appropriations from your state. One man with whom I was talking at breakfast this morning said, "I don't believe our state can afford to do this, but I don't believe it can afford not to do it." And that has been my attitude. Many of the states are in grave financial difficulties, but you cannot afford to be without a good doctor when you are sick, and without a good lawyer when you are in trouble, and you cannot afford to be without the services of this organization under the present governmental condition.

I do not wish to create the impression that this is a request for charity. I put it up to you, as members of this organization, to see that it gets the support to which it is rightfully entitled. You are giving your time and your energy, and many other people are giving their time and their energies to this organization. Certainly the nation can afford to pay the mere operating expenses, if people will give of their time and energies as they have given and are giving without any compensation.

We are asking that the states appropriate an average of $2,000 each, annually, in order that we may feel that we can say definitely to the states, "This is your own organization, you are paying for it, and you are going to get out of it what you put into it."

So much for the mechanics—the things going on behind the scenes. They have never been hidden from you but some of you have never taken the trouble to come around back of the curtain and see how we were working and why.

Plans for the Future

As to the future, I want to say that I would like to see this Assembly made an annual affair. But more immediately, I
I have tried this morning to give you a friendly talk on what we are trying to do and why we are here. I want to thank you sincerely for your presence. It has been a great pleasure to be your President and I hope to meet all of you many times again. I am now going to ask a man who is taking a real interest in this work to talk to us. He is President of the National Association of Attorneys General. I want to call on General Ernest L. Averill to come up and address the Assembly.

ADDRESS BY ERNEST L. AVERILL

It is indeed a pleasure to have the opportunity of meeting with you. I have had occasion to recall the First Interstate Assembly, for at that time I was a member of the Connecticut General Assembly. I recall very distinctly attending that conference, called by the American Legislators' Association. The meeting was smaller in numbers than this but the idea was there; it has grown, and it is a wonderful success.

"The powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people."

It is this principle of our system of government which prompts us to gather in this Interstate Assembly. There appears to be general anxiety among the states because the prevailing tendency of the federal government is to infringe upon the reserved powers of the respective states. This is not an unnatural phenomenon. It is the tendency of all governmental agencies to expand and develop until stopped or limited by the people who support the government. Sometimes the judicial branch of the government may supply the limit through an interpretation of the constitution.

States' Rights

If the states are to preserve their reserved powers, they must recognize and be willing to assume the responsibilities which this section of our Constitution implies. It will not suffice that we declaim in favor of "States' Rights." The states must see to it that the reserved powers are actually utilized to the extent demanded by the people of the respective states.

One serious question we may all ask ourselves. Are we, as states, supplying our
Questions of the relationship between the state and federal governments and between individual states, such as water rights, agricultural interests, milk regulation, banking, insurance, public utilities, sale of securities, taxation, the sale of intoxicating liquor, public health, motor vehicle regulation, highways, and criminal administration are but some of the many subjects which find their way into the office of the attorney general.

In most states these officers are elective officials, and the turnover is large. In looking over the 1935 list of attorneys general we find but two who were in office seven years ago. Many have graduated to the bench, some have gone to other positions in the government—others have resumed private practice.

This mortality is probably equalled if not exceeded in the other lists of elective officials. It is an added reason why there should be available somewhere a permanent record of their official activities. A contribution of extraordinary value to the strength of state governments would be made if this information could be lodged in one place and made available to the administrative officials of the several states.

It is not contemplated that all states should be standardized. Frequently, opinions of attorneys general will differ. It is proper that such should be the case. It is the information which is valuable. When supplied, it still remains the responsibility of the administering officer to place his own interpretation upon the question presented. Too much emphasis however, cannot be placed upon the necessity of furnishing to our state administrators a greater opportunity to consider and weigh the opinions, reasoning, and suggestions of the other state administrators.

It is the hope of the Association which I represent, that through the Council of State Governments such a plan may be worked out. It is one forward step in furnishing the service to the taxpayer which he so richly deserves. It will help to develop the strength which is needed to enable our states to administer their reserved powers wisely and adequately, and to withstand any effort designed to impair such rights.

Speaker Belknap: I am now going to
ADDRESS BY ENOCH D. FULLER

It is a great pleasure for me to be here today and to represent the National Association of Secretaries of State. I bring you, as its President, the greetings of the organization.

The Secretaries of State have a national organization with which active or former Secretaries of State may become affiliated. The Association has held seventeen annual conventions in various cities of the United States. Naturally, because of the various methods of election or appointment, our membership undergoes many changes from year to year. Our officers are elected annually. The purpose of the Association is to discuss and formulate such plans as may, from time to time, be thought desirable about these or other departments of state governments.

In general, Secretaries of States' duties have to do with keeping the official records of the state; cooperating with the executive department of the state government; serving as custodian of the great seal of the state; attesting official signatures, documents and records; issuing commissions; recording bonds and notes; preserving historical data and records; determining the procedure of the legislative bodies; administering election laws; supervising the registration of business corporations; and innumerable other administrative duties. Some secretaries have complete charge of motor vehicle registrations and regulation, as well as of the state police systems.

The suggestion of a joint conference of all the state officials has been made. My personal opinion is that meetings of smaller groups of persons with subjects and discussions confined to those in which the particular group is directly interested, are likely to produce better results than meetings where a wide range of subjects—many of which would be on matters foreign to the interests of the groups—might be discussed. A closer interest in the business of the session can be maintained when the group is smaller. Closer personal contact from a social as well as a business viewpoint can be established. And such social contact and understanding is a prerequisite to a successful business session. The policy of meeting in various parts of the country has the advantage of creating regional interest, although a central location might well result in a better attended convention.

In 1933, our National Association adopted a resolution which coincides with the purposes of the Council of State Governments. The resolution dealt with conflicting legislation, regulations, and practices in the departments of state. Coordination and better cooperation between the Secretaries of the several states was recommended. A committee of six members was named at that time, each one of whom was asked to make a survey in a group of eight states, in order to determine the duties, practices, and regulations in the separate departments of state. A report of this study will be made at our next convention, in August, 1935.

The National Association of Secretaries of State will have my personal report on the Triple Board meeting held in January, and on this Second Interstate Assembly. I assure you that our Association will be glad to cooperate with the Council of State Governments and the American Legislators' Association on any constructive subject that might be suggested.

THE RESOLUTIONS

HON. MARK GRAVES (New York): As was to be expected, a great variety of resolutions was introduced. The Resolutions Committee has worked rather assiduously at its task. We still have some resolutions which have not been acted upon. Therefore, with the indulgence of the Assembly, we shall report on as many as we can at this time. I think the consideration and adoption or rejection of these resolutions will consume some little time and we ask

1 These resolutions are printed separately in the transcript. Those which were formally approved by the Assembly were collectively reprinted on pages 100-108 of the April issue of State Government.
permission to come before you later in the afternoon with the remainder of our report.

The group of resolutions first presented originated with the Interstate Commission on Conflicting Taxation. That Commission, as you know, has been working during the past two years. It has held several meetings, seven in number, I believe, and, after studying various subjects, it has developed conclusions which are merged into the resolutions which I shall now present to you. The method of presentation which the committee has decided upon will be to get what are perhaps the least controversial measures out of the way at the beginning. The first one has to do with the gasoline tax.

SPEAKER BELKNAP: I must intercede for a moment and ask for the report of the Credentials Committee, so that only those who are accredited, official delegates will be recognized in the voting.

REPORT OF CREDENTIALS COMMITTEE

The report of the Credentials Committee was read by Senator Oneal, and unanimously adopted.

SPEAKER BELKNAP: Will you proceed, Mr. Graves?

Motor Fuel Taxation

MR. GRAVES: "RESOLVED, that it is the sense of the Second Interstate Assembly that the federal government retire not later than June 30, 1935, from the field of motor fuel taxation and leave that field for the exclusive use of the states and their localities."

That resolution is reported as being unanimously favored by your Committee on Resolutions. I offer this resolution and move its adoption.

SPEAKER BELKNAP: You have heard the resolution that the federal government should abandon the field of motor fuel taxation. Is there a second to that motion?

The motion was seconded by Mr. O'Gara of Nebraska.

Discussion

SPEAKER BELKNAP: Is there any discussion? The question has been called for.

1The names of accredited official delegates are starred in the roster of participating members of the Assembly at the beginning of this transcript.

JUDGE OSCAR LESER (Maryland): As I understand it, this doesn't prevent the government from keeping on with its road building program, which it started long before it had a one cent gasoline tax.

HON. W. H. O'GARA (Nebraska): I would like to say that the federal government has outlined its plan for road building for the coming year, and as I understand this the federal government is asked to retire the first of June, is it not?

MR. GRAVES: Decidedly not. As the gentleman from Maryland has very aptly pointed out, the federal government spent hundreds of millions of dollars on a federal aid highway building program before it ever imposed any motor fuel tax. The compliance by the federal government with this resolution has no bearing either directly or indirectly on the federal highway aid program.

SPEAKER BELKNAP: Is there any further discussion?

HON. SIMEON E. LELAND (Illinois): I would like to say a word against the resolution. I haven't any particular interest in the matter as it relates to the finances of the highways, but as a tax program there is some advantage in allowing the federal government to continue this experiment until such time as it can demonstrate whether it is more efficient in the collection of gasoline taxes than are the states.

SENATOR GEORGE WOODWARD (Pennsylvania): Sixteen states have already memorialized Congress to this effect.

HON. RALPH GILBERT (Kentucky): We might consider this resolution with a little caution, not so much on its practical operations as its possible effects in pointing the way to a uniform system of taxation. There is considerable thought that all sales taxes should be national. The conflict of states would indicate that if it could be brought to a practical solution, the federal government perhaps would be the best agency for collecting a sales tax. Now a gasoline tax is nothing but a sales tax. To adopt this resolution, which I am in favor of adopting, might throw some light on the question when we reach it, of sales taxes in general.

HON. HENRY LONG (Massachusetts): There seem to me to be three reasons why this resolution should be unanimously
adopted: first, it will permit local communities to get money from their own citizens, who will be directly benefited; secondly, the simplicity of the tax, the comparative ease with which it is administered and the small cost to the local communities; and thirdly, the very thing we want above all else, namely, to have the federal government retire from a field of taxation which is purely local.

Senator Ben G. Oneal (Texas): I agree with Mr. Long entirely. The Chairman of the United States Senate Finance Committee has recommended that the federal government get out of the field of gasoline taxation. That recommendation was made shortly after the Interstate Commission on Conflicting Taxation had a conference with the Finance Committee. So one body of Congress has already gone on record in favor of the federal government abandoning this field of taxation and leaving it to the states.

Speaker Belknap: Are you ready to vote on the resolution? Unless there is a close vote, we would save a lot of time by an aye and nay vote. If there is any question at all, I will call for a roll call.

Those in favor of this resolution will say "aye," opposed "no." If anybody desires it, he can have a roll call. That not being the case, I declare the Resolution adopted.

Federal Highway Act

Mr. Graves: The Second resolution is related to the one which you have just acted upon; and it is to this effect: "The Second Interstate Assembly calls to the attention of Congress and the state legislatures the principle incorporated in Section 12 of the Federal Highway Act of 1934. The Assembly seriously questions the desirability of this form of federal control of state financial and administrative machinery."

"In this section, Congress undertook to direct the expenditure of state revenues as a condition for receiving federal highway aid. Further diversion of motor vehicle tax or gas funds by state governments is in effect prohibited. This provision constitutes an unprecedented federal interference with state fiscal policy, an interference to which the attention of the Interstate Assembly may well be directed. A copy of this section is appended hereto."

The Resolutions Committee presents this resolution and moves its adoption.

The motion was regularly seconded.

Speaker Belknap: Is there any discussion on this resolution? I am going to ask Mr. Graves for my benefit to tell me, in his own words, just what this resolution implies.

Mr. Graves: In 1934, when the federal government enacted a federal highway act pursuant to which money's were made available for highway improvements within states, it laid down a condition that no state could receive any of this federal money if it should thereafter divert any of the revenue received from the registration fees of motor vehicles or from motor fuel taxes to other purposes of government. In other words, if a state, after the enactment of that federal highway act, should divert any more of what I will call motor-user taxes to other purposes of government rather than to spend them on the highways of the state, such a state could not receive any federal aid for highways.

Hon. Walter G. Query (South Carolina): What is the purpose of this resolution? I understand the statement but what does the resolution say? Do we want the federal government to quit dictating how we shall use the money?

Mr. Graves: Precisely.

Mr. Query (South Carolina): If that is the purpose of the resolution, it seems to me somewhat out of place, because if the federal government gives us money for use on the highways it should be used that way and not for ordinary governmental purposes.

Hon. Harold H. Barker (Minnesota): It seems to me that this refers to the Hayden-Cartwright Act, which provides that in case you divert money you can only receive two-thirds of the amount granted by the federal government. They do not do away with the allotment entirely but give you two-thirds of the grant you would have received if you had not diverted. It seems to me the resolution should be corrected to have a correct statement of fact.

Speaker Belknap: That is all stated properly in the resolution, but was not brought out clearly, apparently, in the discussion. Now is there any further discussion on this point?
HON. HENRY D. WATENPAUGH (Wyoming): I am opposed to this resolution. It seems to me that the statement made by Mr. Long a moment ago is very pertinent to this resolution and is really an argument against motor fuel taxes which have been used by the states for the building of roads, and properly speaking might not even be termed a tax. It seems to me that Congress acted very wisely in making this provision and that the motorist is entitled to a legitimate complaint if motor fuel taxes are taken for general governmental purposes instead of being used for the purposes for which they were originally designed.

SENATOR GEORGE WOODWARD (Pennsylvania): It seems to me that the creation of special funds in any of our states is more or less an insult to the intelligence of the members of the legislature. In Pennsylvania, we have diverted, and hope to continue to divert, our motor money for any purpose that we desire.

JUDGE OSCAR LESER (Maryland): I think this resolution brings up a very important subject. I agree thoroughly with Dr. Woodward that it is a vicious thing to delegate revenues from a particular source for a particular purpose. Revenues should go into the general treasury and be appropriated in amounts suitable and adequate for the purposes involved. We do not dedicate the gross receipts from the tax on railroads to the railroads. If you followed that plan, you would not get anywhere.

HON. EARL R. LEWIS (Ohio): As I understand it, the resolution condemns the assumption by Congress of the right, through control, of grants-in-aid to determine state policies with respect to the distribution of income from taxation in the several states. The thing at which the resolution is aimed, as I understood it, is federal attempts to control state policy, and it strikes at an evil that is apparently growing in federal legislation, an assumption on the part of the national Congress of the determining of policies which, under our dual form of government, should reside in the several state legislatures.

HON. MYRON B. GESSMAN (Ohio): As I read this, Section 12 of the Hayden-Cartwright Act merely says to a state, "If you do not use your gasoline and your motor vehicle taxes for road purposes, you cannot expect the federal government to grant you money for this purpose."

Now personally, I see nothing wrong with that and I think it is perhaps unfair to adopt a resolution asking the repeal of this particular section which is put in there for the purpose of protecting the federal funds. In other words, it doesn't appear to me to be wrong for Congress to say to a state, "If you divert any or all of your gasoline and motor vehicle money, then we will not give you any federal money."

If I understand the resolution correctly, and I believe I do now, I do not feel that the resolution should be adopted, as I feel that there is nothing at all unfair in this provision of Section 12 of the Act at which I understand this resolution is directed.

MR. PARKMAN (Massachusetts): The question of road building, the question of matching federal funds with state funds is something entirely separate and distinct from the section involved here. This section in the federal Act is simply a vicious interference on the part of the federal government with the fiscal policy of the states and as such it seems to me the Resolutions Committee is quite right in approving a resolution which condemns that procedure.

JUDGE JAMES M. GRAHAM (Illinois): I am very heartily in favor of the resolution. The whole scheme on the part of the federal government sometimes referred to as the fifty-fifty plan is an unworthy attempt on the part of the federal government to influence state policy by indirectness.

HON. WILLIAM E. ROGERS (Kentucky): It occurs to me that this principle is thoroughly sound. I think the defeat of the resolution would be an admission that the states, through their respective lawmaking bodies, are not qualified to allocate the taxes collected by those respective states.

HON. HAROLD H. BARKER (Minnesota): I agree with the general principle of the resolution, that Congress should not tell the states how they should spend money appropriated by themselves, nor for that matter furnished by the federal government, but I do not like to have that resolution tied up with this particular provision of the Hayden-Cartwright Act. In Minnesota, we do not believe in diverting money raised by the motor vehicle tax or the gasoline tax.
HON. Selden Johnston (Connecticut): I have just one thought to add, and that is, this federal fund that is distributed among the states comes from the states. It is not a fund that is taken out of the air. The federal government proposes to say that a particular state, having theoretically paid its proportion into the fund, shall not get that money back unless the state submits to the interference by the federal government as to how that money shall be spent within the state.

HON. FRANCIS J. McCaffrey (New York): We may get a bit of light on the effect of this provision in the Hayden-Cartwright bill if we consider its application to the State of New York. We have a comparatively good highway system, we are raising $100,000,000 a year from motor vehicle fees and motor fuel taxation. It would be an absurdity to spend $100,000,000 a year on our roads. We are spending a very considerable amount—I think we more than match the federal aid—but to go on and spend another eighty or ninety million dollars a year on our roads would be an absurdity. If you apply that principle you will see the viciousness of decreasing the grant of federal aid, in case all motor vehicle and fuel taxes are not used solely for road construction.

SENATOR CLYDE W. COFFMAN (Kansas): Just a word in regard to this diversion of funds. I think it is of course generally understood that the primary purpose of a gasoline tax is for expenditure on roads. I want to say that in Kansas, technically, we levy our tax on the use of motor fuels on highways, and it is my opinion that the federal government has a right to demand that this money be spent on highways in order to get their grant, and I shall vote against the resolution.

HON. SIMEON E. LELAND (Illinois): The purpose of taxes is to raise revenue and it isn't to raise revenue for any particular activity which the legislature decides to add to the act imposing the tax. There is nothing any more sacred about highway funds than any other fund and sound fiscal considerations require that funds should be put into the public treasury and that they should be spent out of it according to the needs and requirements of the government. In this particular case the least the federal government can do is to insist that the amounts they are willing to match be spent on highways. I call for the question.

HON. J. H. Thayer Martin (New Jersey): New Jersey collects some of its gasoline tax from motor boat users. If New Jersey chooses to divert, as they call it, some of this gasoline tax from road purposes to the benefit of the motor boat users in improving waterways, that is none of the business of any other state in the Union or of the Congress of the United States. New Jersey is very heartily in favor of this resolution.

SPEAKER BELKNAP: I am going to put the question. Those in favor will say "aye"; opposed, "no." The resolution is carried.

MR. GRAVES: I am sure it is gratifying to the President of the American Legislators' Association, as well as to the Chairman of the Resolutions Committee, that these resolutions are so thought-provoking and that their discussion is being approached in such an intelligent fashion. The next resolution is also sponsored by the Interstate Commission on Conflicting Taxation. It reads:

"Resolved, that it is the sense of the Second Interstate Assembly that no additional tobacco taxes be adopted by the states for revenue purposes."

I might add that the Interstate Commission arrived at that conclusion from this angle: traditionally, indirect taxes like the tobacco tax and taxes on tobacco products, were the field of the federal government. The states have not been very successful in the administration of such taxes and perhaps should look, in time, toward withdrawal from that field. Although this resolution does not require it, it expresses it as the sense of the Interstate Commission that no additional taxes on tobacco and tobacco products be levied.

The Resolutions Committee offers this resolution and moves its adoption.

HON. HENRY F. LONG (Massachusetts): May I ask Mr. Graves a question? Did the Resolutions Committee mean by the use of the words "additional taxes" the adding of additional levies in the states that now have tobacco taxes, or did it mean that no new states should come into the tobacco tax field, and does it also mean
that the states now levying such taxes can do so as long as they don't add any additional levies on tobacco?

MR. GRAVES: The Resolutions Committee inherited this resolution from the Interstate Commission on Conflicting Taxation. It is a little difficult to undertake to say what the Interstate Commission may have had in mind, but by "no additional tobacco taxes" I infer that it means no new ones and no increases in tobacco tax rates. I infer, also, that the Commission realized that until there was a better integration and harmonization of the federal and state revenue systems, the states now in the tobacco tax field would of course remain, and there is no suggestion or compulsion that they withdraw from that field.

SENATOR MCMILLAN LEWIS (Missouri): I am in hearty accord with this agreement but I would like to say that in our state we have no tax on tobacco and, I want to repeat, I am not in favor of the states going into the tobacco tax field. If you pass this resolution, however, it will work an injustice on the states that do not have a tobacco tax at present.

SENATOR BEN G. ONEAL (Texas): In view of the fact that the Interstate Commission on Conflicting Taxation is being brought into the discussion, I believe that in fairness to the work of that Commission the several recommendations made by them should come in here at one time. The report of the Commission suggests that the federal government get out of the gasoline tax field and cease levying taxes on electrical energy. The report then suggests that the states get out of the liquor tax field and out of the tobacco tax field.

We were seeking a way to avoid conflicting taxation. We felt that if we could find a reasonable basis upon which we could ask the federal government to withdraw from certain fields and leave those definitely to the states, and then ask the states to stay out of other fields and leave those definitely to the federal government, we would be accomplishing, to a degree, what we started out to do.

If we take these recommendations piecemeal, I am afraid that the delegates here will not understand just how the Commission arrived at its conclusions and recommendations. Manifestly, we can't ask the federal government to get out of certain fields of taxation by saying, "Stay out of that and we will keep everything that we have." They have had the tobacco tax field since 1794 or '96, and the liquor field just as long. We find the states going into those fields. The federal government did not go into the gasoline tax field until most of the states had gone into it. The same thing is true with electrical energy taxes.

I am calling your attention to all the recommendations to show you that it was an attempt to balance our program and that the Commission arrived at these conclusions on more than one ground. We considered the historical situation with reference to taxation in these fields. We considered also the use of the revenue from those commodities that are taxed. In developing the subject that way we arrived at the four conclusions or recommendations which went before the Resolutions Committee. I feel that to get a broad view of the work of the Commission, this statement should be made.

SPEAKER BELKNAP: What is your pleasure with regard to this resolution?

SPEAKER BELKNAP: Is there any more discussion of it?

HON. WILLIAM E. ROGERS (Kentucky): Tobacco is the chief crop of the farmers in my state, and certainly we endorse this resolution.

HON. SIMEON E. LELAND (Illinois): There is nothing in the evidence on tobacco taxation to indicate that the burden of this tax is borne by the farmer, nor is there any evidence, so far as you can gain from the tobacco companies or other people, as to the effect of tax rates upon the consumption of tobacco products. It is generally believed, and believed clearly on all the reputable evidence that can be assembled, that tobacco is one of the products that a man will use whether or not it is taxed. Its use is not affected by the amount of taxes imposed upon it.

The level of tobacco taxation in this country is very low compared to the level abroad. The per capita statistics for the yield of tobacco taxation in the United
States are based largely upon misconception of federal withdrawal as applied to per capita figures in states having small populations, and upon the erroneous conclusion that tobacco consumption, in the rural states is equal to that in the urban states which do not today impose tobacco taxes. Hence estimates of relative tax efficiency of state and federal governments on a per capita basis are untrustworthy. The movement to restrict the field of tobacco taxation is in large part a movement not to restrict the field but to keep down the rate. It seems to me the resolution ought to be defeated.

HON. ERNEST L. AVERILL (Connecticut): I can rather understand the difficult position which the voting members of the Connecticut delegation will find themselves in. Would it not be possible for the Resolutions Committee to redraft the resolution so that it will embody the suggestion that as soon as possible, and in cooperation with the federal government, the states will withdraw from the taxation of tobacco while the federal government is withdrawing from other fields of taxation which the states feel should replace that tax?

Senator George Woodward (Pennsylvania): I want to reinforce what Attorney-General Averill has said, because in Pennsylvania next week we are going to vote for a tobacco tax in the Governor's program, and in order to save the face of Pennsylvania I don't see why we shouldn't have a little political strategy with this and use it as a good quid pro quo with the federal government. Our tobacco tax is a very great trading point.

Speaker Belknap: I am going to ask unanimous consent to postpone any consideration of this matter until after lunch. In the meantime, we shall proceed with other resolutions.

Mr. Graves: Please be assured, ladies and gentlemen of the Assembly, that we are not going to run out of resolutions and if any of you have not had an opportunity to speak, you will have plenty of opportunity before the afternoon is over.

The Resolutions Committee reports this resolution and moves its adoption: "Resolved, That this Assembly memorialize the Congress of the United States requesting the speedy publication of a second edition of the report on Double Taxation of the Ways and Means Subcommittee on Double Taxation and that copies of that report and other reports of the Subcommittee be made available for use of the members of this Interstate Assembly and of the respective state governments and legislatures." That is a report which Mr. Parker told us was in the course of preparation. It sometimes happens that reports of this nature, although prepared, are side-tracked for the printing of other publications and all this asks is that the printing be speeded up and distribution be made at an early date.

HON. W. H. O'GARA (Nebraska): I will second the motion for the adoption of the resolution.

Speaker Belknap: I don't believe we need much argument on this and I am going to put the question. Those in favor of this resolution will say "aye"; opposed, "no." The resolution is unanimously carried.

Mr. Graves: This resolution that I am about to read I think is one of a non-controversial nature. "Resolved, That in order to facilitate negotiations, understanding and harmony of state governments with one another and with the federal government, it is the sense of the Second Interstate Assembly that the Congress of the United States should consent to a compact or agreement among any two or more states for the establishment of a Council of State Governments."

Before there is any discussion from the floor, I would be pleased if Senator Toll would say a few words to you as to the desirability of having this resolution passed.

Senator Henry W. Toll: As Mr. Belknap explained in his remarks this morning, the American Legislators' Association started its operations with two distinct objectives. One was to develop a professional organization of lawmakers. The other was to attempt to bring the state governments into closer contact with one another. Of course, the American Legislators' Association began this attempt to develop closer contact primarily through the legislative branches of the government, but
as soon as we began to get down to real work we discovered that the legislators alone could not establish an effective and satisfactory contact between the state governments.

When we began to get into this matter of taxation, we immediately realized that to try and have the legislators confer on this matter without inviting the participation of the council of the fiscal officials of the states would be relatively ineffective, and that, also, a conference with the governors of the various states on such a problem was not only inappropriate but highly important. The Pennsylvania legislature passed a resolution requesting the Association to organize a regional conference on bus and truck regulation, and immediately it was realized that to have simply legislators without the motor vehicle administrators and the governors would be an evident detriment. All three groups must be represented if we are to have effective contacts between the state governments—the legislative, the administrative, and the executive officials. And so the Legislators' Association proceeded to organize an agency in which the executives and the administrative officials could participate in the sponsorship and the conduct of these efforts to secure closer cooperation and contact between the state governments. That organization was set up under the title of the Council of State Governments.

Now I think there is no thought in anyone's mind that this should be anything more than a very loosely knit sort of agency for contact between the state governments, but the necessity for some type of official or quasi-official agency seems fairly apparent and I believe that there is hardly any one who has given thoughtful consideration to this matter over any period of time who does not agree that there should be some sort of quasi-official agency under whose sponsorship meetings of this character may be called, and under whose sponsorship research work such as is being performed by the secretariat may be carried forward. For that reason, believing that if the state governments are to engage in cooperative enterprise there must be a cooperative organization of some sort, this Council was set up. The constitutional provision is that no compacts or agreements between the states shall be binding without the consent of Congress. Therefore, this is, in effect, a request to Congress that it give its consent to the formation of a Council of State Governments by such states as may desire to participate in it.

Mr. Graves: Please observe that this resolution indicates no compulsion on the part of any state to join or enter into a compact or agreement to be a part of the Council of State Governments. It could start with two or three or four and others could come into the Council of State Governments if, as, and when they thought it to be to the advantage of their states to do so.

Senator A. Crozer Reeves (New Jersey): I just want to read to you a paragraph from a New York newspaper which appeared this morning and which discusses the method that the Governor of New Jersey has adopted in calling together five states to control crime. That conference is in session today. "New Jersey," says Governor Hoffman, has taken a step in this direction. The Senate adopted a Resolution creating a Commission on Interstate Cooperation to recommend to the legislature the initiation of compacts on various subjects, including crime. The Resolution is now before the Assembly and upon its passage I shall sign it. Upon creation of the commission I shall urge an immediate study of the proposals of the crime conference."

So far as New Jersey is concerned, I am sure it is heartily in accord with this resolution. I would like to second its adoption.

Speaker Belknap: Is there any further discussion on this? All those in favor of the resolution will say "aye"; opposed, "no." The ayes have it, and the resolution is carried.

Announcements

Speaker Belknap: The Chairman of the Resolutions Committee has one more resolution before we adjourn.

Mr. Graves: If we can get this one out of the way, then we will have the decks cleared for some really important and genuinely interesting resolutions this afternoon.

"Be It Resolved, That all vacancies in the membership of the Interstate Commission on Conflicting Taxation created by re-
The retirement of its members from public office or otherwise shall be filled by the Speaker of the Interstate Assembly.

The First Interstate Assembly which met two years ago authorized the creation of a Commission on Conflicting Taxation but it has been discovered that no authority was vested in anyone to fill vacancies which might occur on that Commission. The purpose of this is to ask authority from this Second Interstate Assembly to fill such vacancies required by the retirement of members from public office or otherwise, and to confer that authority upon the Speaker of the Interstate Assembly who holds office by virtue of his position as President of the American Legislators' Association.

I move its adoption. It may be a little bit embarrassing for the Speaker to put the question. Is there a second to my motion?

The motion was regularly seconded.

Mr. Graves: Is there any discussion? All those in favor of this motion, say "aye"; contrary, "no." I declare the motion carried.

The meeting adjourned at 12:40 p.m.
Saturday Afternoon Session
March 2, 1935.

THE meeting was called to order at 2:20 p.m. by Speaker Belknap.

Speaker Belknap: Mr. Graves, if you are ready—with some other resolutions, we will proceed to a discussion of them.

Mr. Graves: We are indebted to Senator Woodward of Pennsylvania for this Resolution and after I have read it I am going to ask him to explain, briefly, why he proposes it.

Resolved, That for the Third Interstate Assembly the officers of the Assembly broaden their program to include subjects of interstate conflicts, to the end that the interest of our members be maintained and enlivened.

Senator George Woodward: Today it seems to me has been a real day for the Assembly, because the legislators have definitely participated in the program. The more we can transact our own business without the aid of any of the executive department, the better I like it and I think the more we promote our own dignity and standing. That is one reason for the resolution.

The other reason is that no matter how scientific our program may be for taxation, we all realize that necessity knows no law. The federal government is up against it financially and we can butt our heads against the stone-wall and not get anywhere—they cannot yield a penny of revenue to us at this time. Therefore, it seems to me that if we spend too much time on a very interesting but perhaps academic discussion of taxes, we will somewhat weaken the interest of our membership. There are many subjects of interstate conflict which we understand even better than taxation, in which we are very much interested, and which have been conspicuous by their absence from the program.

I think we would like to have uniform laws of incorporation, and we ought to have some uniform law so one state is not bidding against another for manufacturing industries, and, of course, the question of divorce is perennial but it certainly ought to be tackled by the American Legislators' Association.

Speaker Belknap: You have heard the resolution. I doubt that there is need for any more discussion of it. I am therefore going to put the question. Those in favor say "aye"; opposed, "no." The resolution is unanimously carried.

Mr. Graves: The next Resolution ought to be relatively simple for you because all it suggests is that the federal government spend forty thousand dollars in the interest of the American Legislators' Association. The resolution reads: "Resolved, That the members of the Second Interstate Assembly do hereby urge their respective delegates in Congress to support the proposed appropriation of $40,000 to the Interstate Reference Bureau for the current year; and be it further resolved, That a copy of this resolution be sent to each member of Congress from the several states."

The Interstate Reference Bureau supplies the funds which support the Interstate Commission on Conflicting Taxation and the other activities of the American Legislators' Association. It was to this Reference Bureau that the State of New York made an appropriation two years ago and is making another appropriation this year, because the State of New York believes that this movement is promising and certainly worthy of financial support.

The State of Massachusetts also gave some money. I can't give you the names of all the states that have made appropriations. It is believed that the federal government should contribute a modest sum, modest when you consider the size of the problem with which the American Legis-
lators' Association and its several offspring are dealing. And that is the purpose of this resolution which the Committee offers and moves be adopted.

*The motion was regularly seconded.*

SPEAKER BELKNAP: Those in favor will say "aye"; opposed, "no." The resolution is adopted.

MR. GRAVES: Those of you who heard Professor Martin yesterday will recall that he emphasized the necessity of having more adequate and complete data with respect to tax levies, expenditures, the purposes for which expenditures were made, debts and the purposes for which debts were incurred. A series of four resolutions has been prepared dealing with this subject.

"BE IT RESOLVED, That it is the sense of the Second Interstate Assembly that each state should provide for the tabulation and publication of complete statistics of state and local taxation, expenditures and debt; and be it further

"Resolved, That it is the sense of this body that each state should cooperate as fully as possible with the United States Bureau of the Census in perfecting the reporting on a comparative basis of the statistics of state and local government; and be it further

"Resolved, That it is the sense of the Second Interstate Assembly that each state should from time to time make a thorough-going investigation of its own state and local tax systems. In order to facilitate this investigation as well as to render possible intelligent appraisal of the financial activities of government and effective state and local administration, each state should provide for the continual analysis of its fiscal affairs; and be it further

"Resolved, That it is the sense of the Second Interstate Assembly that responsible state officials should consider initiating and advancing their financial statistics and reporting by developing work-relief projects designed to bring together a comprehensive picture of state and local revenues. To insure comparative results from such studies, the Assembly requests that the Interstate Commission on Conflicting Taxation provide staff facilities for outlining a general plan for use in each state."

The Resolutions Committee moves the adoption of this resolution. It deems it imperative to a final solution of this problem that there be adequate and complete fiscal data along the lines indicated.

"The motion was regularly seconded."

SPEAKER BELKNAP: You have heard the resolution. It has been moved and seconded. Those in favor say "aye"; opposed, "no." The resolution is unanimously carried.

MR. GRAVES: The resolution which I am about to read had its origin with the Interstate Commission on Conflicting Taxation. The Commission believes it is necessary to set up the agency, which is proposed in this resolution, to study the very important problem of multiple taxation. Not only because I want you to see what large and handsome Assemblymen we have in New York, but because my voice needs a rest, I am going to ask the Acting Secretary, Assemblyman Wadsworth, whose distinguished father many of you know, to read this resolution to you.

HON. JAMES J. WADSWORTH: 

"Resolved, That the Second Interstate Assembly request that the Interstate Commission on Conflicting Taxation organize a Tax Revision Council to study:

1. The problem of multiple taxation by competing units of government.

2. The closely related problem of determining the functions that can best be performed by the federal government and those that more properly fall to the states and their subdivisions.

The Assembly requests that the Council, with the assistance of such advisory committees and technical staff as it may deem appropriate, conduct a joint investigation and report its recommendations. The Assembly suggests that it would be highly appropriate for the said Council to be composed of:

(a) Seven officials representative of the federal government, namely:

"The General Counsel, the Assistant General Counsel in charge of tax legislation, and the Director of Research and Statistics of the Treasury Department; the Chairman of the Subcommittee on Double Taxation of the House Committee on Ways and Means and one other Congressman designated by the Chairman of the Committee on Ways and Means; and the Chairman of the Subcommittee on Double Taxation of..."
the Senate Finance Committee, and one other Senator designated by the Chairman of the Senate Finance Committee;

"(b) Seven officials representative of state governments, namely:

Legislators and administrative officers of states, designated by the Interstate Commission on Conflicting Taxation;

"(c) Seven officials representative of local units of government, namely:

Four legislative and executive officials of municipalities appointed as follows: one by the United States Conference of Mayors, one by the American Municipal Association, one by the International City Managers’ Association, and one by the Municipal Finance Officers’ Association; and three officials of counties and of units of rural government other than counties, designated by the Speaker of the Interstate Assembly.

The term for which each appointive member of the Council is designated shall extend to January 1 of the next odd-numbered year and thereafter until his successor is appointed. The Secretary of the Interstate Commission on Conflicting Taxation, shall be, ex officio, the Executive Secretary of the Tax Revision Council, and shall make arrangements for its organization meetings.

"To the end that the organization of this Council may be consummated at the earliest possible time, the Chairman and the Secretary of the Interstate Commission on Conflicting Taxation are hereby directed to confer with Congressional officials, with the Secretary of the Treasury, and, if opportunity offers, with the President of the United States; and they are authorized to make such changes in this plan as they may deem proper in the light of such conferences."

I move the adoption of this resolution.

Speaker Belknap: You have heard the resolution. Is there a second?

The motion was regularly seconded.

Speaker Belknap: Do you desire to debate this question? All in favor of the resolution, say "aye"; opposed, "no." The ayes have it and the resolution is carried.

Mr. Graves: Now that we have worked along so harmoniously for a few minutes, perhaps we should revert back to where we were when we adjourned for lunch. I think it was quite unfortunate that I, as Chairman of the Resolutions Committee, did not make more preliminary remarks when the gasoline tax and tobacco tax resolutions were presented.

The Commission on Conflicting Taxation has been working for two years. It has not been possible, and I don’t think we should expect, to develop a complete, comprehensive program for dealing with this conflicting tax question. The Commission has arrived at certain definite conclusions, all looking toward a final solution, and the Resolutions Committee has recommended for adoption four of those conclusions, in the form of resolutions, which should be considered somewhat together.

One, is the proposal that the federal government retire from the gasoline tax field and leave it to the exclusive jurisdiction of the states. Tied with that is a proposal that the states should not extend their tobacco tax laws. In other words, we ask the federal government to give up the motor fuel tax and we ask the states to refrain from enacting new, or enlarging old, tobacco tax laws. It is a question of give and take.

The third item is that we ask the federal government to give up such taxes as it may be imposing on electrical energy, and as a quid pro quo the Commission on Conflicting Taxation proposes that states and local governments should refrain from imposing heavy taxes on beer, unless they impose such taxes for regulatory purposes.

Now if you will notice, in these four resolutions, there are two concessions to be made by the federal government and two concessions to be made by the states—a fifty-fifty trade so far as number is concerned. So far as money is involved, the states will get the best of it.

Your Committee on Resolutions considered whether we should wrap these all up in one resolution and present it to you. We decided that the better policy would be to present, and permit you to discuss them singly. You have adopted the one on the gasoline tax. Therefore, if we are to be consistent we will adopt the others or else recall the vote on the gasoline tax. I think I have nothing further to say.

I again move the adoption of the resolution on the tobacco tax, which reads:
"RESOLVED, That it is the sense of the Second Interstate Assembly that no additional tobacco taxes be adopted by the states for revenue purposes."

Speaker Belknap: You have heard the resolution. Is there a second?

The motion was regularly seconded.

Speaker Belknap: Do you wish further discussion? Those in favor of this resolution will say "aye"; opposed, "no." The Chair is in doubt and will call for a roll call vote.

There followed a roll call vote by states.

Speaker Belknap: Gentlemen, the result of the vote: 59 1/2 ayes; 23 1/2 noes. The resolution is carried.

Mr. Graves: I will remind you again that the gasoline tax and the tobacco tax are companion resolutions. You have adopted both. We still have the electrical energy tax which the Interstate Commission on Conflicting Taxation urges the federal government to abandon, and we have the beer tax on which the advice is that states refrain from imposing high beer taxes except for regulatory purposes. If you will permit me to make the suggestion, I think in voting on the one you should consider how you intend to vote on the other. It is, as I see it, inconsistent to vote for one and vote against the other. I will now read the electrical energy resolution.

"RESOLVED, That it is the sense of the Second Interstate Assembly that electric energy taxes which have long been sources of state revenue should be reserved for the exclusive use of the states."

I move the adoption of that resolution.

The motion was regularly seconded.

Speaker Belknap: You have heard the resolution which has been seconded. Those in favor will say "aye"; opposed, "no." The ayes seem to have it. The ayes have it and the motion is carried.

Mr. Graves: We now come to the fourth item in this general schedule. "Resolved, That it is the sense of the Second Interstate Assembly that states and local governments should refrain from imposing heavy taxes on beer, unless they impose such taxes for regulatory purposes."

The Resolutions Committee moves the adoption of that resolution.

Speaker Belknap: You have heard the resolution. The Chair is going to ask the Chairman of the Interstate Commission on Conflicting Taxation to explain this resolution.

Senator Seabury C. Mastick: We discussed this resolution all one day in Chicago, and weighed every word in the resolution. At that time the Eighteenth Amendment had not yet been repealed and many questions were arising about the taxation of beer. There was a disposition on the part of many states to levy a very heavy tax on beer which would have raised the price for retail consumption, the effect of which would be to encourage the bootlegger, and at the same time to deplete the federal revenue.

I would like to interject in this explanation a restatement of what was said by Commissioner Graves. It was a case of give and take. We did not feel that we could go to Congress with the idea that all we wanted was something from them, and that we had nothing to give in return. We felt that beer, under the general scheme of our government, was more under the control of the federal government and that the higher the tax in the localities, the less could be the tax for the federal government, and I repeat, the more encouragement for the bootlegger.

That was the reason for inserting the word "heavy." We put "heavy" in because it wasn't precisely definable. New York decided $1 a barrel wasn't heavy. Other states had other ideas. If you should make it two or three or four dollars a barrel, that would be heavy. It is a question of defining when short becomes long. You can't do it. It all depends on the circumstances.

The reason for the second phrase, "unless they imposed such taxes for regulatory purposes," was that certain states still retain their prohibition statutes in one form or another and we feel we should not restrict them if they desire to impose taxes for genuinely prohibitory purposes. In other words, we tried to respect local feeling on this matter just as much as we could, at the same time taking the stand that we were giving something to the federal government—some consideration in return for asking them to give up something to us.
While, as Chairman of this Commission, I haven't any desire to impose our ideas upon any of you gentlemen, I do wish to accent the fact that unless we are not only willing to give and take among ourselves, but willing to give and take with the federal government, we are not going to get anywhere.

Hon. Simeon E. Leland (Illinois): Is this the only resolution that the Commission has on the subject of liquor taxation? Do you have another one?

Mr. Graves: The answer is no, we have no other resolution, because Senator Mastick told the Resolutions Committee that he was not sure the resolution on liquor taxes represented the present views of the Interstate Commission, having been adopted before repeal occurred.

Mr. Leland: It seems to me that leaves this resolution in a rather peculiar position. It antedates the day when we returned to the pre-prohibition era, it implies that we are willing to trade with the federal government the right to tax beer in return for letting the states have the right to tax hard liquor. It seems to me that as the resolution stands it doesn't get to the heart of the problem at all, and that any resolutions on the question of liquor taxation ought to embrace all of the kinds of liquor that are involved.

Since this resolution doesn't go the range of the entire liquor problem, it seems to me it should be recommitted either to the Resolutions Committee or to the Interstate Commission until such time as they are prepared to submit a resolution on the subject that really meets the issue.

Mr. Graves: I can simply say to the gentleman, as I said before, that the Commission on Conflicting Taxation was not sure that its previous hard liquor resolution represented the views of the Commission at this time. This one on beer does. The adoption of it doesn't imply, as I see it, that the inference would be that by granting the federal government the right to tax beer, hard liquor is to be reserved to the states for revenue purposes. If we adopt this beer resolution we merely have not as yet taken a position with respect to the taxation of hard liquor.

Senator Ben G. Oneal (Texas): When this was adopted by the Commission, in some states the sale of beer had already been legalized, but other liquor had not been considered. That was one of the things which caused the Commission to take these up separately. We anticipated there would be conditions in some states with reference to beer that would be more universal than with what we are pleased to call hard liquor, and I think the federal government proceeded on that theory. Congress, looking at beer, in a little different light than liquor, legalized it, as far as the national government was concerned, before the prohibition amendment was repealed; and many of the states have acted along the same line.

I don't think there is anything inconsistent in dealing with this question at this time and in leaving the other open, if Senator Mastick thinks that the other question is one that should be open. The purpose of the Commission was to take a definite stand and try to blaze the way, before too many states had levied heavy taxes on beer.

Now the federal government is going to tax beer. It has taxed drinks of that kind since the last part of the eighteenth century, just as it has taxed tobacco. Unless we are ready to express ourselves now, heavy taxes will soon be effective in all states.

The Commission and all of you here realize that nothing we do will change existing laws, but if we can have anything to do with molding public sentiment toward a division of taxation, we have to start somewhere. That is our purpose here, as I see it. I may not represent the viewpoint of the entire Commission but I think that after having met with them at six different sessions, I know to a considerable extent what their ideas are. That is the purpose of this resolution, gentlemen, and I hope since you have gone along with us on the other three, you can go along as a matter of consistency here.

Hon. Oliver E. J. Schick (Missouri): I come from Missouri, a state which houses some of the largest breweries in these United States. But personally, I am of the opinion that taxes on beer should be levied by the state and municipal governments because it is a great source of revenue for them. I realize that too high a tax takes
beer away from the working man and I am rather inclined to feel that the federal tax on beer today is probably a little too high. The resolution, as I see it, would not prevent any state from placing a tax on beer and would leave it open to the states to place any kind of a tax they desire. I rise to make myself clear on this point, that while the wording of the resolution means very little to me, I for one would be opposed to the adoption of this resolution because I feel that Missouri should get some revenue benefit from products manufactured by the breweries in our state.

Speaker Belknap: Is there any further discussion? I will put the question. Those in favor of this resolution will say “aye”; opposed, “no.” The secretary will call the roll.

There followed a roll call vote by states.

Speaker Belknap: The vote stands 49 ayes; 23½ noes, and the motion is carried.

Committee on Agencies for Interstate Cooperation

Your Committee on Agencies for Interstate Cooperation considers the question of cooperative agencies as one of extreme importance and has drawn up the following resolution which it now presents to the Second Interstate Assembly:

Resolution

WHEREAS, Confusion, competition and conflicts constantly exist between the states of the Union in their laws and in their administrative practices, concerning many subjects of government with which the states are vitally concerned; and

WHEREAS, It is desirable for the people of all the states that such disharmony and chaos shall not continue, but that the governments shall strive together in accordance with enlightened standards and mutually accepted policies; and

WHEREAS, The necessity for official cooperation between the state governments is recognized by the compact provision in

Section 10 of Article I of the Constitution of the United States; and

WHEREAS, There have now been established agencies which provide such machinery of cooperation, namely, the American Legislators’ Association, which has been officially sanctioned and endorsed by one or both branches of forty-six legislatures, and the Council of State Governments, which has been organized by said association; and

WHEREAS, It is to the interest of the people of each of the states that their government officially participate with the governments of the other states in the formulation of their cooperative policies, and in their other deliberations, in order that the interests of such states may not be disregarded; therefore be it

Resolved, That this Second Interstate Assembly recommends that appropriate Agencies on Interstate Cooperation be formed in each state; and be it further

Resolved, That the Executive Director of the American Legislators’ Association and the Council of State Governments communicate this recommendation to the Governor and Legislature of each of the several states.

Report

To provide these Agencies on Interstate Cooperation with an effective directing and coordinating agent, your Committee strongly recommends the establishment of regional secretariats in the manner which the American Legislators’ Association and the Council of State Governments have set forth.

The Committee reports that such a regional secretariat would promote cooperation between neighboring states with regard to policies and activities relating to such public problems as may arise from time to time and which require uniform or reciprocal action on the part of other states included in the region. It would devolve upon the regional secretary to make a constant study of the possibilities of regional and nation-wide cooperation between the state governments. Your Committee feels that the establishment of such regional secretariats is vital to the development of harmonious state relationships and that such secretariats would prove to be effective agencies
for improving interstate cooperation.

Your Committee recommends that this meeting of the Second Interstate Assembly formally commend the American Legislators' Association and the Council of State Governments on their recent publication, *The Book of the States*. The periodical editions of this book will represent the only compilation in the country of current facts and features pertaining exclusively to state government. Obviously, this publication will facilitate cooperation among the states.

Finally, your Committee recommends that, if and when the American Legislators' Association and the Council of State Governments are requested to render any type of service for such national associations of state administrative officials as the National Association of Secretaries of State and the National Association of Attorneys General, such requests should be granted in so far as the present staff and facilities permit.

Speaker Belknap: I am going to ask the Secretary to read a telegram we have here from Governor Winant, since it bears on this resolution.

Secretary Wadsworth: "Honorable Henry W. Toll:"

"Regret that I find it impossible to join with you again. I hope very much that you will get before the group the idea of permanent interstate committees in the assemblies of the respective states, the need of a regional secretariat to implement interstate action and the usefulness of a centralized reference bureau such as has already been established in Chicago.

"Signed: JOHN G. WINANT."

Speaker Belknap: Before we go into a discussion of this resolution and report, I want to call on Mr. Hubert R. Gallagher of the Interstate Reference Bureau referred to in this report, for a five-minute talk on this work, in order that you may be better qualified voters.

**Report by Hubert R. Gallagher**

During the year 1934 the Interstate Reference Bureau has assisted in securing information in response to 537 inquiries. These requests for information have come from legislators and public officials in forty-seven states—all except Nevada. Despite the fact that only five legislatures met in regular session last year, as compared with 43 in 1933, the Interstate Reference Bureau handled more inquiries. This increase in the number of inquiries can probably be explained by the fact that the Interstate Reference Bureau has become better known, and also by the fact that there were many special sessions held during 1934.

As in the past, most of the inquiries came from legislators and officials in those states with poorly staffed reference bureaus, while in the states where the legislative reference bureaus have the confidence of the law-makers, and where they have adequate staffs, the inquiries came through the reference bureaus.

The following tabulation shows the source of inquiries received during 1934:

<table>
<thead>
<tr>
<th>Source</th>
<th>Requests</th>
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</thead>
<tbody>
<tr>
<td>Legislators</td>
<td>143</td>
</tr>
<tr>
<td>Legislative reference bureaus</td>
<td>49</td>
</tr>
<tr>
<td>State officers</td>
<td>65</td>
</tr>
<tr>
<td>Newspapers</td>
<td>29</td>
</tr>
<tr>
<td>Commissions</td>
<td>6</td>
</tr>
<tr>
<td>Federal officials</td>
<td>25</td>
</tr>
<tr>
<td>Other research associations</td>
<td>215</td>
</tr>
<tr>
<td>Other research agencies</td>
<td>537</td>
</tr>
</tbody>
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The above tabulation does not include approximately 100 requests for information which have been received over the telephone and by personal visits.

The subjects of the requests for information covered the entire gamut of governmental problems. It would be difficult to name a problem which at some time or other has not been the subject of an inquiry. Where once a large portion of the requests were for information concerning taxation and revenue, at the present time the field has been considerably broadened by the nation-wide interest in various phases of social legislation and the problem of liquor control. Since the November election, at which time six states repealed their state prohibition laws, we have received a number of inquiries requesting information on the control of intoxicating liquor. Information concerning practice in other states was immediately furnished to the Governors and to the special legislative commissions studying the problem. In addition the volume of requests received

1Mostly municipal reference bureaus, bureaus of governmental research, research agencies in universities, municipal leagues, and taxpayers' associations.
in this office for information concerning the sales tax, old age pensions, and unemployment insurance has led to the preparation of research bulletins which have been circulated to the Governors, as well as to the inquiring legislators.

The great bulk of the 537 inquiries which were received during 1934 have been answered by reference to some source of information from which accurate and up-to-date data could be secured. The Interstate Reference Bureau endeavors, as far as possible, to serve as a clearing house of information, rather than as an agency of original research. However, during the past few years a considerable body of informational material has been built up and many of the requests can now be answered directly from our files without referring the requests to other sources of information. The issues of State Government which have been published during the past six years contain the answers to many inquiries which are received. The comparative tables and compilations which have appeared in its columns have been especially useful.

The year 1934 was marked by two important developments:

First, the number of inquiries received from departments of the federal government.

Second, the number of legislative interim committees and commissions in the various states which were served by the Bureau. Not only were requests received from the research staffs of these committees and commissions, but a large number of state officials availed themselves of the service for the first time.

As the services of the Interstate Reference Bureau become more widely known, it will undoubtedly be called upon to serve more federal departments, as well as the state officials.

Service to Federal Departments

The time spent in answering inquiries from federal departments ranged from five minutes dictating a letter and sending a table, or a research bulletin which would answer the question in full, to ten days spent in one of the states making a special study of public utility legislation for the Federal Trade Commission. This study was conducted in the field, and the formal report was presented to the General Counsel of the Federal Trade Commission.

Considerable time also was devoted to the work of the Committee on Economic Security and conferences were held between members of the staff of our research division and the staff of the Committee on Economic Security.

Personal contacts have been made also with the Department of Justice, the PWA, and the United States Civil Service Commission. Members of the U. S. Senate and House of Representatives have called upon the Interstate Reference Bureau for information and assistance.

Assisting Interim Committees and Special Commissions

Among the special groups which have been furnished information are the California Code Commission, the Governor's Advisory Commission in Washington, the special legislative committee of nine in Utah, the Commission to Study Methods of Public Utility Regulation in North Dakota, the Delaware Commission on Unemployment Insurance, the Colorado Commission on Interim Committees, as well as the various state liquor control commissions. Here again the conferences were held with various members of these commissions, and the Interstate Reference Bureau was in continuous communication with these commissions up to the time of the submission of their final reports. By maintaining contacts with the Interstate Reference Bureau these commissions were advised of progress being made in other states.

Legislative Council

Throughout the year the Interstate Reference Bureau maintained very close contact with the Kansas Legislative Council, and there was a constant interchange of research material between the staffs of both organizations. In addition the Interstate Reference Bureau has been supplied with studies prepared by the Kansas Legislative Council for distribution to inquiring legislators and state officials in all the states.

It is hoped that ultimately the Interstate Reference Bureau will serve not only as a clearing house for the Legislative Reference Bureaus of the various states, but also
that it will serve as an informational switchboard for other legislative councils—as they may be created.

The Interstate Reference Bureau has continued to serve the legislative reference directors and state librarians during the past year. Members of our staff have visited the offices of the Legislative Counsel in California, the Legislative Reference Directors of Arizona, Colorado, Nebraska, New York, Oregon, Pennsylvania, Washington, and Wisconsin, as well as the State Librarians of California and Wyoming.

**Legislative Reference Bureaus**

There seems to be considerable interest in the development of legislative reference bureaus in the states which do not have them at the present time. Our staff has supplied copies of a model bill to establish a legislative reference service, estimates of cost, and information on personnel and services to be performed by a bureau to legislators and state officials in Alabama, Florida, Kentucky, New Hampshire, West Virginia, Utah, Oklahoma, Missouri, and Wyoming. In fact, a request for information of this type was even received from Buenos Aires.

In cooperation with the publications division of the American Legislators' Association, thirty-six research bulletins were sent to the legislative reference bureaus, Governors, and a selected list of legislators. A number of these bulletins were prepared in the office of our Bureau and others were prepared by specially qualified authorities at our request. In addition to these bulletins, the Bureau has undertaken to act as a clearing house for bulletins of a particularly valuable character prepared by other organizations, distributing them to legislators who have expressed an interest in the various subjects, and also to each legislative reference service.

**Coöperation with National Govern-mental Organizations**

Throughout the year the Interstate Reference Bureau has been used as a frequent source of information by the national governmental organizations located at 850 East 58th Street, Chicago. These organizations of public officials have called upon us on numerous occasions for information on various subjects. In addition, we have answered many inquiries which they have received from outside sources.

**The Press**

In addition to the inquiries from regular channels which have come into the Bureau via tele-graph, airmail, special delivery, and regular mail as well as postals, telephone calls, and personal visits—the Interstate Reference Bureau has frequently been used as a reliable source for impartial information on governmental matters by the press and various national periodicals. During the past year the wire services, such as the Associated and United Press, have called upon us almost weekly for information in the field of state government. Such nationally known papers as the New York Sun, Chicago Daily News, Chicago Tribune, Christian Science Monitor, the Journal of Commerce, and the Birmingham Post have made requests of us. Time magazine, the Literary Digest, and Colliers have also availed themselves of our services.

Smaller newspapers, frequently those which serve the state capitals, have asked for assistance. Among these are the Arkansas Gazette, the Southwest Times Record, (Fort Smith, Arkansas), the Rutland (Vermont) Herald, and the Minneapolis Star.

Furnishing the press with impartial and accurate information is one means of creating a desirable attitude toward problems of legislation, and for that reason we have encouraged the news services, the editorial writers of the leading papers, and influential journalists to make use of our facilities.

**Special Service to Governors**

The Interstate Reference Bureau has not only furnished Governors of the different states with copies of research bulletins and publications, but it has also prepared a special digest of previous Governors' Messages. This digest was especially useful to Governors in the preparation of their 1935 Messages to the legislatures. In addition the Bureau has answered a number of requests from Governors for information on various topics, and where possible it has furnished advance material to Governors who were faced with special problems.
For instance, as soon as information was received that Governor Merriam of California had called a special anti-crime conference on the subject of interstate rendition we immediately furnished him with copies of recent studies which had been made on the subject. Similarly information on liquor control legislation was immediately sent to the Governors of those states which recently repealed their state prohibition laws. And when Governor McNutt appointed a special committee to study the gross income tax law data was sent to him. Information was sent to Governor Davey of Ohio in the form of a model law to establish a state bureau of investigation, identification, and statistics, and to Governor Blood of Utah on state police.

Conclusion

The appreciation which has been expressed for the services which the Bureau has performed has been a real source of satisfaction to the staff. The following sampling of expressions—taken from the many which have been received—are indicative of the attitude of the governors, legislators, and state officials who have been aided by the Association's facilities:

Governor Louis J. Brann, Augusta, Maine. "The special session of the Legislature is called for Tuesday next to act on liquor legislation in this state, and the information which you forwarded will be very helpful."

Senator Ernest T. Eaton, Polytechnic, Montana. "I have been negligent in sending you my expressed sincere appreciation for the wonderful help that you gave me as a result of my letter to you last November when I was preparing for the special session. The material that I received was of greatest help and I feel that your Association is giving a remarkable service to the state legislatures of the nation. I was enabled through this material to give to many members of the Senate and House information that was up-to-date and just what was needed for their guidance."

Senator Albert Wald, New York City. "Thank you for your letter of January 19. I am delighted with the rapidity with which you respond with tangible information."

Hon. W. L. Morse, Henryetta, Okla. "A short time ago I addressed an inquiry to your organization relative to amending the industrial compensation law of the State of Oklahoma. I wish to take this means of expressing my appreciation for the number of pamphlets and the wealth of information which has been forwarded to my office on the subject in question."

Harold Haas, Assistant Legislative Counsel, Sacramento, Cal. "The ramifications of your organization certainly open up a mine of information to the inquirer in time of need. We appreciate your care in these matters."

Dr. Irvin Lavine, Chairman, Commission to Study Methods of Public Utility Regulations, Grand Forks, N. D. "I am most appreciative for the courtesy extended to me in sending the information contained in your valued letter, together with copy of Indiana law which arrived under separate cover. The information so sent will be most valuable in our work and I certainly will avail myself of your kindness in extending to us the service of your Association for further information from time to time during our investigation."

Speaker Belknap: Is there any further discussion desired on the resolution prepared by the Committee on Agencies for Interstate Cooperation? If not, I will put the question. Those in favor of this resolution for establishing agencies on interstate cooperation will say "aye"; opposed, "no." The resolution is adopted unanimously.

Do you wish to adopt the complete report of the Committee now? Will someone offer a resolution approving the report of the Committee on Agencies for Interstate Cooperation?

Hon. Henry F. Long: I offer such a resolution.

The motion was regularly seconded.

Speaker Belknap: It has been moved and seconded that the report of this Committee be approved. Those in favor say "aye"; opposed, "no." The ayes have it and the report is unanimously approved.

I will now call on the Committee on Finance for its report, of which Mr. Burgess is Chairman.

Report of Committee on Finance

Your Committee realizes and begs leave to call the attention of all legislators and
state administrative officials to the fact that in order to develop and perfect organizations of the scope and significance represented by the Council of State Governments and the American Legislators' Association, adequate finances must be provided.

We believe that the Assembly delegates are acquainted with the fact that the financing of the Assembly and of the services extended to the states by the American Legislators' Association and the Council of State Governments has largely been through grants of the Spelman Fund. We must, however, recognize that the Spelman grants are made for limited periods of time on the distinct understanding that they are for demonstration purposes. Certainly the Assembly, the Association, and the Council have amply demonstrated their value, and the time for greater legislative support of their work has arrived. This fact has, in the past two years, been recognized by six states, which are at the present time attempting to do their share in the support of these organizations, their appropriations varying from $500 to $5,000 per annum. This year seven additional states have similarly demonstrated their belief in the value of these services by considering appropriation bills in their legislatures. Therefore your Committee recommends that the Assembly delegates do all in their power to secure both federal and state appropriations for the support of this work.

To this end, your Committee recommends that Congress be urged to pass the Resolution which provides for an annual appropriation of forty thousand dollars to the Interstate Reference Bureau, which bill has been favorably recommended by the Committee on the Library of the National House of Representatives.

Your Committee further recommends that each state do its share or more than its share in the active financial support of the American Legislators' Association, the Council of State Governments, and/or the Interstate Reference Bureau. It is recommended specifically that each state appropriate for this work an amount in accordance with a classification which has been worked out for each state by the American Legislators' Association and which calls for an average expenditure by each state of two thousand ($2,000) dollars, approximately the amount required to secure the services of two clerks. Your Committee believes that the value of the work done by these organizations is far in excess of any such amount.

Your Committee recommends that each House of each legislature should appropriate funds during the current sessions to provide traveling expenses for their delegates to the next meeting of the Interstate Assembly and that the funds appropriated by the legislatures of the states whose members are serving upon such standing committees of this Assembly as will hold interim meetings should be sufficient to defray the traveling expenses of such members to such-interim meetings.

Speaker Belknap: You have heard the very able report of the Finance Committee. Do you wish to approve this report?

Hon. J. H. Thayer Martin (New Jersey): I move that the report be approved.

The motion was seconded and carried unanimously.

Speaker Belknap: I will now entertain a motion that the resolution which the Committee offers be adopted.

Mr. Martin: I move it be adopted.

The motion was regularly seconded.

Speaker Belknap: It has been moved and seconded that this resolution be adopted. Those in favor of this motion will say "aye"; opposed "no." The ayes have it and the motion is carried.

We will now proceed with the resolutions of the Resolutions Committee, and I think we will have plenty of entertainment.

Senator Henry Parkman (Massachusetts): I am sorry that the Chairman of the Resolutions Committee is not here to present some of the most controversial resolutions still remaining for this Assembly to debate and consider. The next resolution before us is the last of the program recommended by the Interstate Commission on Conflicting Taxation, and if we can dispose of that we can get on to other resolutions still remaining for this Assembly to debate and consider. The next resolution before us is the last of the program recommended by the Interstate Commission on Conflicting Taxation, and if we can dispose of that we can get on to other resolutions that were offered from the floor and have been presented to the Resolutions Committee. The following resolution concerns the income tax field:

"Be It Resolved, 1. That the Second Interstate Assembly recommends federal enactment of legislation allowing credit
against the federal individual income tax for state individual income taxes and other state and local taxes of a personal nature paid or accrued;

"2. That a graduated plan be used to allow a substantial credit for lower incomes and a smaller credit for larger incomes, for example, about 75 per cent of the aggregate of the credits for taxes on incomes below $10,000 and 25 per cent on incomes above $10,000. The percentages selected should provide a total credit of approximately $150,000,000.

"3. That the additional federal revenue to replace the federal credit allowed to taxpayers for state taxes be secured by some one or more of the following:

"a. inclusion of dividend income in the federal tax base as completely as other income;

"b. amendment of federal and state constitutions to permit the taxation of income from tax-exempt securities and of salaries of officials and employees of the federal, state and local governments;

"c. reduction of personal exemptions, including elimination of the earned income credit;

"d. allowance of personal exemptions and credits for dependents in terms of tax."

If I may give a word of explanation, this resolution extends to the income tax field the principle of the estate tax credit with which you are all familiar. If carried out in legislation, it would enable individuals in the various states to pay part of their federal tax bill by the presentation of receipts showing the payment of state personal income taxes. The $150,000,000 figure mentioned, is the figure arrived at as necessary in the form of credit on the federal tax to meet the amount now raised in the income tax states through their present rates. Those rates now raise approximately $76,000,000 in the twenty-three income tax states, and it is necessary to have a federal credit of $150,000,000 if they are to be applied to all the states.

The third part of this resolution provides for a suggested number of methods by which the federal government could replace the income lost to it by allowing credit to the states as suggested. One of the various items suggested is: the inclusion of dividend income in the federal tax base as completely as other income. Probably that alone would come very close to meeting the necessary replacement of revenue. Other suggestions are: the amendment of federal and state constitutions to allow the taxation of tax exempt securities; a reduction of personal exemptions; and lastly, an allowance of the exemptions and credits for dependents in terms of the tax and not in terms of the income of the taxpayer.

Speaker Belknap: You have heard the resolution as offered by the Commission on Conflicting Taxation and the very able exposition by the gentleman from Massachusetts. Is there any further discussion?

Senator Ben G. Oneal (Texas): Is that offered as a resolution of the Commission on Conflicting Taxation? Aren't you mistaken? You don't mean it is offered like the other resolutions we have had here, do you?

Speaker Belknap: This is a separate resolution. It was not one of the resolutions drawn at the same time as the others, but unless I am very much mistaken it was acted on by the Commission.

Mr. Oneal: But Mr. Speaker, it was not a recommendation to be passed. As I remember the resolution, it was recommended for consideration and was not passed by the Commission on Conflicting Taxation as its recommendation. The others were recommendations passed by the Commission. Am I not correct in that?

Hon. C. H. Morrissett (Virginia): That is correct, according to my understanding of the situation. That was the position of the Commission on Conflicting Taxation, that this was recommended only for consideration.

Senator Henry Parkman: It does not seem to make much difference but I stand corrected if I presented it in error. The Commission on Conflicting Taxation met and considered this and by a vote that was not unanimous, but by a vote of seven to one it was decided to recommend the resolution for the consideration of the Assembly.

Hon. Myron B. Gessaman (Ohio): In order to get this before the Assembly, I move the adoption of the resolution.

The motion was regularly seconded.
HON. HENRY F. LONG: I don't know whether I should be permitted to come up here on the platform with all these people who are opposed to my viewpoint. The seven votes for the resolution are well represented here—they stand against the one which now appears before you.

Let us give thought to the whole problem. Within the four corners of this resolution there is more, I feel, than some of you sense and I want briefly to outline what it is. First, and perhaps foremost, is a continuation—or perhaps an expansion—of the credit device which is found in the 80 per cent credit of the federal estate tax statute. In that there is enclosed the kernel of the thought that tax laws should be used for other purposes than to raise revenue. In other words, in our inheritance tax credit there lies embedded the theory that because the federal government encompasses the whole Union, death duties laid by the federal government will tend to deter people from moving from one part of the country to another in order to avoid diminution of their wealth at death. It is not, from the federal government's point of view, a basically important revenue source but it more or less gives expression to the thought that, through revenue laws, there should be a spreading or perhaps the complete destruction of personal fortunes.

With that particular theory, which could be perpetuated by this resolution, I cannot agree. Revenue laws should not be used for any social purpose, for any purpose which would undertake to carry into operation, by legislative action, the distribution of wealth or the destruction of large fortunes or the discouragement of individual initiative. If opportunities abound for capital acquisition it is but the way of the dullard to seek a cure; if acquired wealth is a disease, we cannot succeed in eradicating it by methods employed by the destructive mind. From that point of view I am opposed to a continuation of that particular aspect of this resolution.

My second objection, and it is an important one, is that while the phraseology of it is very intelligently stated, there nevertheless is concealed in the words the definite temptation to—or coercion on—states to levy income tax laws. I don't agree that any body, whether it is the federal government or a group of states, should coerce states into having some kind of a tax law which, if left to themselves, they might not consider proper or feasible. It does have the element of coercion because it has the element of temptation, and all principles go when there is the temptation to secure money from some other sources than those that hurt in the giving.

My third objection is that the resolution undertakes to say that the federal government shall give up, by this credit, $150,000,000—to be replaced, in the terms of the resolution, by the methods suggested. By this you descend into a principle which is very deep, namely, the principle that the bigger incomes are, in large part, obtained from international or at least national sources. It seems to me that this overlooks the fact that many accumulated fortunes are not necessarily international or national in character, that a great many of them exist by virtue of descent, a great many more exist by virtue of very large deposits of natural resources, and others by furnishing at small cost a necessary article to the multitude. I cannot agree with the principle that a person with a million dollars should have different treatment than a person with one hundred thousand, or that a person with one thousand should be treated differently from a person with ten thousand dollars. Therefore, you have the third question of whether or not you will subscribe to the doctrine that there should be a separation in tax treatment between large fortunes and small fortunes as expressed by income.

This is more than triple-headed, it is really a hydra-headed problem, and it reaches into the very vitals of our state constitutions. I am one who would, if I had the opportunity of voting, continue to vote against this, but at the same time I don't believe that anybody should vote in this room on this particular proposal unless he sees the entire situation as it is. I can say in all fairness that if you will read this resolution carefully and consider it in connection with the aspects of taxation as applied in your state, you will find more dynamite in the words of this resolution than in any other single document you have seen written on a single page outside of the Ten Commandments.

SPEAKER BELKNAP: I am going to ask
Senator Parkman to take the chair. I have controlled myself, to a greater or less degree, all day without doing very much talking. I have done a little more than was perhaps dignified for the Chairman but I simply must talk on this matter.

_Senator Parkman assumed the chair._

**CHAIRMAN PARKMAN:** The Chair recognizes Mr. Belknap of Kentucky.

**HON. WILLIAM B. BELKNAP:** Those of you who happened to have the good fortune to hear some twelve or fifteen hours of debate before the National Tax Association on this question—this very fundamental question of whether the federal government should in any way control taxation—may remember that, in New Orleans, after the President of the National Tax Association, Mr. Thomas Walker Paige, had listened to argument for a long time, the kernel of which was that if we were ever to abolish the federal estate tax we ought to do it now, Mr. Paige got up and said, "That argument is fallacious." He said, "The deepest wish of the human heart is ultimate salvation, but none of us want it now."

That ended the argument and we voted to uphold the report of this committee, which was later adopted by Congress and has been in operation for a number of years.

I think it was Emerson who said that consistency is the bugbear of small minds. In the matter of taxation, you simply must meet things with a practical point of view. I wish we never had to have the federal government come in and have any say concerning the method by which the states raise their taxes. The committee started out with the idea that in inheritance taxation the federal estate tax should be abolished. We met for a solid week up in the Adirondacks and fought the question backward and forward, and at the end of that time all of the nine men on that committee had absolutely faced about and recommended that state death taxes be credited against the federal estate tax up to 80 per cent of the latter. The committee agreed unanimously that the only way to protect the states from each other was through this 20 per cent that was left to the federal government. It kept the states which had started cutting the throats of the inheritance tax states from cutting their own throats.

Mr. Long has never come around to my point of view. I sincerely respect his point of view. I simply differ with him: There is no way of arguing any of you over from one side of this question to the other. About fifty per cent of it is intelligence and 50 per cent is emotion and you can’t change emotion by argument.

I want to say this: Kentucky has no income tax but we are going to have an income tax and I think we would be better off if we had an income tax today. I am just as unpopular as anybody can be among my friends at home when I say that but we must face it. Income taxes are coming in every state in the Union sooner or later, so I feel that there is no real use of talking about compulsion on the part of the federal government.

As for Mr. Long’s argument that we are going to treat different people differently, no worse confusion could be had than we have right now in treating people differently by the varying state and federal income tax laws. This resolution is an effort to bring some order out of the present confusion on income taxes. It is trying to keep our better business minds from spending more time thinking where they ought to live in order to avoid income taxes than they do about attending to their business. People were moving hither and yon to get rid of the inheritance tax and after we changed the law people sat still and tended to their jobs and they are going to do the same thing if we can get this income tax law straightened out.

It is such a long story that I can’t take the time to go into it in detail. I have a great deal of sympathy with Mr. Long’s position that this is a difficult problem to vote on at a time such as this and I don’t say that those of you who vote "yes" here may not go home and vote "no" in your legislatures. I don’t say that after doing that you may not come back and vote "yes" here again next year and then go home and vote "no" again. When any problem is as difficult as this problem is, what you are doing when you vote on it today is to say that such is your feeling today. And I think that was the idea back of the Commission when, instead of passing it as they passed the other resolutions, they adopted it for your consideration. I be-
lieve that passing this resolution would be a step forward in focusing attention on this problem.

Senator Ben G. Oneal (Texas): I would like to say a few words.

Chairman Parkman: After Senator Oneal speaks, and the Chair thinks that speeches on these questions ought to be limited to five minutes, I am going to ask the Assembly to listen to Professor Martin in order that we may have a little bit more than faith to act upon.

Mr. Oneal: You probably didn't understand just why I rose, when this resolution was offered here, and asked for an explanation of what the committee brought in, and I realize exactly how the misunderstanding arose, but here is the way that the Commission on Conflicting Taxation sent this out the other night: “Be it resolved, That the Interstate Commission on Conflicting Taxation recommends for consideration federal enactment of legislation allowing a credit against the federal individual income tax, etc.” When I voted for that, I didn’t vote to bring the resolution out here for a settlement of the question today, by your vote, so far as the Assembly is concerned.

I think Mr. Long is correct when he says he is the only one who voted against this resolution as it is. The resolution originally offered that evening in the Commission was as they first presented it here, but that resolution wouldn’t have gotten over a five to four vote. Then they asked if we wouldn’t let them bring it out for your consideration and it was changed to this form.

Here is the report of the research staff, over fifty pages on individual income tax, which they spent months in preparing. We got it Wednesday of this week when we met here. We have very little time and my position stated then was that I was not prepared to vote for this, or to vote against it. Maybe the mentality of the Commission does not work as fast as yours, but I don’t believe, in view of the months and months that the research staff spent in getting up over 59 pages of text material, together with tables, and the time the Commission spent, that you, unless you have taken time to read and consider this, are prepared to pass the resolution.

You have been very kind to the Commission and have adopted the four recommendations that we made: You have shown confidence in us. I hope that confidence is justified. I hope that you will continue to feel that way about us.

I want to ask your pardon for having intruded myself so often today on this, but I rather think we should be careful because what we do here, we hope, is going to have some influence outside.

Chairman Parkman: I will return the chair to Mr. Belknap of Kentucky.

Speaker Belknap resumed the chair.

Mr. James W. Martin: The reason the Chair could not remember my attitude on this thing is that I have never expressed an attitude. I shall not at this late stage of the game, undertake to do that, but I do want to point out two or three consequences of this resolution pro and con.

In the first place, it seems to me that the philosophical question involved. It does not seem in my mind to involve the question of confiscation that two gentlemen have thus far suggested. I say that because the federal government and the states are equally solicitous as to the preservation of each other, and we have seen no marked tendency for the estate tax credit to tend in the direction of confiscation.

Moreover, I suggest that the consequences Mr. Long sees in the issue are not as much present in this situation as they are in the estate tax situation. The estate tax is a tax on capital or accumulated wealth; whereas the income tax is a tax on wealth as it comes in, so to speak. Unless you confiscate every bit of income so a fellow has to eat up his capital, you can never do away with capital or actually reduce
inequalities in the distribution of wealth between different individuals by income taxation.

I wish to refer, also, to the character of the offset as well as to the character of the coercion. The original form of this proposal was that state individual income taxes be offset against federal individual income taxes. That particular proposal has been considered in other connections from time to time. It involves the same philosophy that the estate tax credit involves, as far as it goes. But it does not go quite so far. The introduction of "other state and local taxes of a personal nature" into the offset picture modifies this part of the philosophy by making it possible for states that do not have personal income taxes to take some advantage of the credit. That was deliberate on the part of the Commission, because the Commission believed that the element of coercion should be reduced to a minimum. It does not entirely eliminate the element of coercion, and you should have that in mind in voting on the issue. Certain taxpayers in states which do not impose income taxes will receive just as much benefit from this credit as will those in states which do impose income taxes.—Certain other individuals could not take advantage of the income tax credit, under this alternative plan, because those individuals would not have incomes from sources which render them liable to personal tax levies by the state but would have sufficient incomes to make them liable for income tax payments to the federal government. So there is an element of inducement in this proposal to impose personal income taxation. As has been suggested, that element is very definitely reduced.

I should like to point out certain distributional consequences of this program and suggest the reason for the graduated offset. The benefit is being offered to the state in proportion to the distribution of personal incomes among the states. Now the personal incomes may or may not be distributed in a form that would please some people. For example, under the arrangement that has been suggested by the Commission, assuming that the present personal income tax statistics collected by the federal government reflect the truth, which they do not by any means do precisely, the proposal as it stands would result roughly in offering a credit to the state of Alabama double the amount of state income tax now raised in Alabama. That is to say, Alabama would profit to the extent of approximately 100 per cent increase. In Massachusetts, on the other hand, the result—if they took all of the credit in each instance—would be 41 per cent less than the total income taxes now levied in Massachusetts. In some states the differences would be greater than that. I took the first two examples coming to me of a positive and negative character. Those are fairly extreme instances, but they are not the most extreme.

The proposal to graduate the credit so that a larger credit would be offered on small incomes than would be offered on large incomes would serve to carry out the primary objective of the entire plan, namely, to integrate the state income taxes with the federal income taxes. At the present time the federal income taxes are very slightly graduated until you get up to rather high levels. You will find, in our report, an indication of the character of the graduation which shows that we really have no high federal tax rates on moderate incomes. The state income taxes that are already levied usually behave differently. This graduated credit would encourage states to reach a maximum rate under ten thousand dollars so as to take up all credit under ten thousand dollars and have a comparatively flat rate above ten thousand dollars, thereby hooking the rates of the states into the rates that are now proposed by the federal government and working out an amicable arrangement so far as the rate issue is concerned. Those are the pros.

The con that seems to be most prominent is that, if you graduate the credit, there will be some increased difficulty in making the application; that is, administrative problems for state and federal tax departments will be increased by that method.

SPEAKER BELKNAP: I don't know how long you gentlemen are going to want to discuss this thing. We could very readily go on discussing it until midnight or midnight tomorrow or midnight Monday.

HON. HENRY F. LONG: In order to
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bring this to a head, I am going to move this question be referred to the next Interstate Assembly.


Mr. Long: May I substitute another motion which I think everyone would agree to, that this be referred back to the Commission on Conflicting Taxation for further consideration.

Mr. Martin: I second the motion.

Hon. P. E. Ward (Ohio): It is a condition and not a theory before the people of the United States and the several states at this time. I can't see that this organization has any value if it is only a research proposition to put off from year to year a decision on so important a matter as this. I think it is important that some decision be arrived at upon this particular problem now.

Senator Will O. Walton (Alabama): I don't want to consume five or ten minutes but I want to state frankly to this Assembly that I am in perfect accord with the statement made by the gentleman from Ohio just a moment ago. In my honest, candid opinion this is the most important thing that has been before this body. I have the greatest respect and admiration for the distinguished senator from Texas, and I would feel the way he does if I were voting to enact this bill into law today. I think we have become unduly alarmed about this situation. I want to repeat that in my candid opinion this is the most far-reaching resolution of this Assembly. It will provoke more honest, candid thought throughout the United States than anything we will do at this Assembly.

Speaker Belknap: The gentleman from Ohio made a motion to accept the resolution and the gentleman from Massachusetts, Mr. Long, offered an amendment a substitute motion. I will be forced shortly to put the substitute motion. The substitute motion was that this resolution be referred back to the Commission.

Mr. Walton: Then at this time I move to lay on the table the motion or amendment offered by the gentleman from Massachusetts.

The motion was regularly seconded.

Senator J. V. Weber (Minnesota): In order to settle all debate I move the previous question. The previous question is the adoption of the resolution and it is not debatable.

Speaker Belknap: You have heard the motion for the previous question. Those in favor of the motion for the previous question will say "aye"; opposed, "no." The ayes have it. We will put the previous question, and that is not debatable as I understand it. The previous question is on the resolution.

There followed a roll call vote by states.

Speaker Belknap: In announcing the vote, I want to note the number of states voting: 25 states voted with 39 ayes and 30 noes.

Hon. Henry F. Long: Would you please also tell of the twenty-five states that voted, how many of the states voted in favor and how many against the resolution?

Speaker Belknap: It is thirteen to twelve as to states—a very close vote.

Mr. Parkman: The next resolution has been reported out by the Committee on Resolutions without recommendation. It is offered by Senator Woodward of Pennsylvania and concerns the tax exemption of public securities.

"Whereas, there is an alarming growth in the volume of tax exempt governmental securities; and"

"Whereas, any plan for the alleviation of federal-state conflicts is seriously handicapped by the necessity of higher rates on a narrowed tax base, which in many instances cannot be accurately estimated for budgetary purposes; therefore be it"

Resolved, That the Second Interstate Assembly deprecates the growth in volume of tax exempt governmental securities; and

"Whereas, any plan for the alleviation of federal-state conflicts is seriously handicapped by the necessity of higher rates on a narrowed tax base, which in many instances cannot be accurately estimated for budgetary purposes; therefore be it"

Resolved, That the Second Interstate Assembly deprecates the growth in volume of tax exempt governmental securities; and

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"Whereas, any plan for the alleviation of federal-state conflicts is seriously handicapped by the necessity of higher rates on a narrowed tax base, which in many instances cannot be accurately estimated for budgetary purposes; therefore be it"

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"Whereas, any plan for the alleviation of federal-state conflicts is seriously handicapped by the necessity of higher rates on a narrowed tax base, which in many instances cannot be accurately estimated for budgetary purposes; therefore be it"

Resolved, That the Second Interstate Assembly deprecates the growth in volume of tax exempt governmental securities; and
Mr. Ashurst introduced in the Senate by Senator Ashurst of Arizona. It is before the Senate now.

Speaker Belknap: Those in favor of the resolution, say "aye"; opposed, "no." The ayes have it and the resolution is carried.

Mr. Parkman: The next resolution relates to interstate conflicts and the use of interstate compacts for the removal of them. This is also reported, as I recall it, without recommendation.

"Be it Resolved, That it is the sense of the Second Interstate Assembly that the Congress of the United States should pass a general enabling and consenting act respecting compacts negotiated between two or more states affecting interstate tax conflicts and not affecting the fiscal interest of the federal government."

Speaker Belknap: You have heard the resolution. What is your pleasure?

It was regularly moved and seconded that the resolution be adopted.

Speaker Belknap: Those in favor say "aye"; opposed, "no." The ayes have it and the resolution is adopted.

Mr. Parkman: Here are a couple of tough ones; the first, the resolution on the sales tax offered by Mr. Ward of Ohio. This is reported out by the Committee on Resolutions without recommendations.

"In view of the fact that some twenty-six states have been forced through emergency conditions to resort to sales taxes, and in view of the complications in the administration of such tax measures due to state lines and interstate commerce limitations, it is the sense of this Second Interstate Assembly that the federal government should impose a general emergency sales tax upon a national basis allocating a substantial portion of the revenue therefrom upon an equitable basis to the several states."

Hon. J. Freer Bittinger (Ohio): I move the resolution be adopted.

Speaker Belknap: What is the pleasure of this Assembly? I wish somebody would move to limit the debate.

Hon. P. E. Ward (Ohio): I am willing to limit the debate, but as the author of the resolution I would like to have a word to say.

Speaker Belknap: The Chair will recognize you.

Mr. Ward: I am not an advocate of a sales tax, I opposed the sales tax through two sessions of the Legislature in Ohio, but due to the emergency situation we found ourselves in, eventually a sales tax had to be passed. It has been in operation only a month. Under the Ohio law, 180,000 retail merchants are collectors of the sales tax, and the boundary line difficulties and the mail-order proposition are something that we are unable to deal with effectively. Even if a measure like the Harrison Act should be passed, I know no way in which we could deal with the situation effectively.

The national government can collect a sales tax much more cheaply, without any such total number of tax collecting agencies as we have even in my state, since they can administer it on a national basis. It would avoid all boundary line difficulties and all mail-order house difficulties. I think if there is any tax that the states have adopted up to the present time which should be yielded to the federal government it is the sales tax.

Mr. Parkman: I really feel that this is as important a matter as is going to be acted upon by this Interstate Assembly and we ought to allow opportunity for both sides of the question to be presented, even though briefly, and I move that debate on the matter close at five-thirty, twenty minutes from now, ten minutes to be allowed to each side, and that all speeches be limited to three minutes.

The motion was seconded and carried.

Hon. W. H. O'Gara (Nebraska): As I stated yesterday in my remarks, untold billions will go into the hands of the federal government and the states will be bulldozed into doing certain things if we are going to get any of it back. Many of the states, such as Nebraska, as yet have not passed a sales tax and we are not in favor of passing a sales tax until we have reduced the cost of government. There would be no reason for the federal government to reduce its costs while these untold billions flowed into their hands. I sincerely hope this resolution will not be passed.

Hon. Simeon E. Leland (Illinois): It seems to me that this resolution is rather anomalous, considering our objection to having the federal government tell the states what they ought to do in the determination
of fiscal policy. Now we turn around and try to tell the federal government what it ought to do. If you listen to any economist who knows anything, he will tell you the most undesirable thing you can do in this depression is to impose sales taxes, that the ones that are imposed are regressive, that they rest upon those individuals who can least afford to carry the burden. Now, in order to help yourselves you want further to retard industry and trade by putting this on a federal basis. It is not only wrong in principle but it certainly is inconsistent with the policy of this Assembly.

Hon. Henry F. Long (Massachusetts): I am against the general principle of asking the federal government to levy a tax which the states may, for some reason, not wish to levy themselves. I think the Ohio statement was a good illustration of why this resolution should not pass. The gentleman sharply criticized the matter of legislative enactment in Ohio, which was under compulsion, and which apparently—from his own statement—was one that was very ill-devised. The admission of how bad their administrative procedure is in Ohio, was sufficient, in itself, completely to defeat this resolution.

I am more particularly interested from the point of view of not wanting the federal government to interfere with sales taxes which bring within their sweep the matter of a manufacturers' tax or wholesalers' tax as well as a retail tax. It is unquestionably true that there is a very sharp line of demarcation between what the federal government can do in sales taxes and what the states can do, and in my opinion there is a field for both of them in that form of taxation. But on principle alone I don't believe this should be done. The federal government has not had any experience in sales taxation. There is, here, an attempt clearly to give up something which the states ought to retain themselves, and also the attempt to stimulate competition between the states as to who can grab the most out of the bag into which are dumped the proceeds of a federally administered sales tax.

Hon. Larry Dobell (Montana): I am opposed to a sales tax for two or three reasons. The main one is that until you have the people who can afford to pay taxes paying their taxes, I don't think you should tackle the poor man. Less than a year ago, the Senate Committee on Banking and Currency heard evidence that the nineteen partners of Morgan had not paid one cent of income tax in the calendar years 1931 and 1932. They are hiding behind tax exempt government securities and until you repeal that and get at the money where it is, and tax the man who can afford to pay it, I don't believe in taxing the poor fellow who can't afford to pay it.

Hon. J. Freer Bittinger (Ohio): I have opposed the sales tax too, but that is not the question involved. The members are discussing something the resolution doesn't provide for. The resolution provides that the federal government impose a sales tax and distribute it back to the states, and I think every member of this Assembly should vote for this resolution.

Hon. Oliver E. J. Schick (Missouri): It seems to me that if a sales tax were enacted by the federal government with a just allocation to the various states, it would do away with much confusion which ordinarily results from an individual state sales tax. It would place business on a more or less competitive basis. Under the individual state sales tax today, business men are often confronted with certain obstacles which throw them out of the running on competitive bids on various large materials. For this reason, if the collection of a sales tax by the federal government can be worked out and a just allocation of the money put into the plan so that it would be justly distributed among the states, I would be heartily in favor of it. Basing my opinion along these lines, I am going to vote for the adoption of this resolution.

Senator J. V. Weber (Minnesota): The Minnesota State Legislature recently memorialized Congress to allow state taxation of interstate commercial business. We realize that can't be done, but it seems to me through a federal sales tax we arrive at the same conclusion. One of the chief aims of this Assembly is to inculcate in people's minds the idea of tax consciousness and, it seems to me, there is nothing we can do to create tax consciousness in the minds of the people of this nation as will a federally administered tax. It seems to me we
are never going to arrive anywhere until we inculcate in the minds of the people of this nation the proposition that tax paying is an important problem, and I agree with the gentleman from Missouri, and the gentleman from Ohio. I am going to support this resolution.

Hon. P. E. Ward: Just a word further: Whether or not the sales tax in Ohio was a good type or whether or not it is well administered, every sales tax state (and there are twenty-six of them if I am correctly informed) has this difficulty. We are surrounded by states on every side, all but one of which have a sales tax, but nevertheless the state is flooded with advertising material coming from across the line and from Chicago—"Buy your goods from us and avoid the sales tax." And they will avoid it regardless of whether there is a sales tax in their state or not. They will avoid it in both states. Illinois has a sales tax but all the goods which their mail-order houses ship to Ohio and Indiana and the other states avoid that tax and the purchaser avoids it as well.

As long as the present emergency conditions exist and billions of dollars have to be raised for relief, we are going to have a sales tax with us. If there is any place that a sales tax can be levied, imposed and collected with the least expense and the least waste, it is certainly in the hands of the federal government. I think a two per cent tax imposed by the federal government would produce as much, without the present avoidance and evasion, as a three per cent tax levied by the individual states.

Hon. Ralph L. Ramsey (Georgia): Georgia does not now have a sales tax but it probably will adopt one soon. It is a question in the mind of everyone as to whether the sales tax is just the kind of tax we want. I think most people question that, certainly in the beginning of a study of a sales tax.

It is evident that all states are going to have a sales tax of one kind or another. Now if that be true, federal administration of the tax would get rid of many problems that we now have. Those border states that do not have a sales tax will of course profit because of the state that does have one. A federal sales tax would certainly overcome the problem the individual state sales tax has to face. In view of that, I expect to support this resolution, believing that it will untangle many of the knots and solve many of the problems that most of us are to face.

Senator Henry Parkman (Massachusetts): I want to take three minutes to express my own views on this subject. I was originally a strong advocate of a federally administered state-shared sales tax and I have become a convert, after considerable study, to the idea that it would be the worst thing that could happen to this country. I have come to that conclusion for a number of very definite reasons. In the first place, I believe that the sales tax is essentially bad in its incidence on the people. It is a regressive tax bearing more heavily on people of small incomes, and for that reason, if for no other, it should be only an emergency tax.

On the question of distribution, the argument in favor of the federally administered state-shared sales tax founders because the political situation which exists in Congress makes it impossible to distribute the tax in any way that is fair to the people of the several states. The purchasing power of the citizens of one state varies so widely from the purchasing power of the citizens of another that money would be drained out of one state and poured into another inequitably. The joker in the resolution of the gentleman from Ohio are the words that it should be distributed on an equitable basis. Actually that is impossible. It seems to me that with all the inconveniences and all the problems of interstate commerce, of administration, of border difficulties, of mail-order house difficulties, those should be regarded as a necessary evil of a tax that essentially should be an emergency tax and that the very existence of those difficulties is the surest safeguard of the repeal of state sales taxes at the earliest opportunity. I therefore believe this resolution should not be adopted.

Senator George W. Woodward (Pennsylvania): May I ask Senator Parkman one question about the Canadian experience? Haven't they succeeded in their sales tax?

Mr. James W. Martin: May I answer Senator Woodward's inquiry? One part
of the answer is that there is no distribution to the several states, that is, the Canadian sales tax is a central government tax and it doesn't have that hurdle to go over.

In the second place, the Canadian sales tax conceals the incidence so that in no case can it become a tax that will bring about sales tax consciousness. The same thing is contemplated in this resolution.

In the third place, in my own judgment the Canadian sales tax results, in levying, more tax on the taxpayers. The consumers pay a heavier tax in the long run, in most instances, though not perhaps in all, than the actual amount that the federal government of Canada, the Dominion Government, collects. I think that would be true in this case, because as you come down the line each fellow will add to the tax as well as to the original price.

There is one other point I would like to suggest: If you levy a sales tax which amounts, in toto, to more than twice as much as the present state sales taxes amount to annually, the State of Ohio would lose some ten million dollars as compared with a very modest estimate of the revenues from the recently enacted Ohio tax. The Ohio Tax Commission estimated some fifty-eight or nine million dollars from the tax. I have reduced the estimate to forty-three and a third million, to get my result. If the Commission's estimate proves to be correct, the loss to Ohio would be much greater.

HON. JOHN A. CHAMBLISS: I just want to say that I am going to vote for this resolution because in Tennessee we have a low purchasing power and a low standard of living, generally speaking. I want to say frankly to you gentlemen who came from the states of higher standards of living that I think it is an unfair disadvantage to Massachusetts, to be specific, for Tennessee to profit by this as the allocation inevitably is going to be by population and we would get more than what I would regard as our fair share. Of course, if you gentlemen want it so, we are in favor of it, but I think it is only fair that you understand the case. I won't say this situation would prevail in all the southern states because some of these other gentlemen might not like that, but the states where the standard of living is a little lower are most likely to benefit from this action.

SPEAKER BELKNAP: It is time to put the question. The question is on the adoption of this resolution which you all have in mind. Those in favor of the resolution will say "aye"; opposed, "no." We will have to have a roll call.

There followed a roll call vote by states.

HON. LUCY S. HOWORTH (Mississippi): While the vote is being tabulated I should like to make a statement on behalf of Mississippi. Mississippi has a sales tax which I, together with the majority of the legislature, enacted and which we think is very successful. I voted against this particular resolution because I do not believe in the resolution, nor does our tax commissioner approve the plan as outlined in this resolution. I am making this statement simply because the debate seemed to hinge largely upon the effectiveness of sales taxes and I did not want my own or Mississippi's attitude on the sales tax misconstrued.

SPEAKER BELKNAP: The result of the vote: 38 ayes, 35 noes. The motion is carried. The vote by states: 13 ayes, 12 noes, and one evenly divided.

I want to call on Speaker O'Gara of Nebraska for his report of the Committee on Plans for the Interstate Assembly. The Committee is prepared to report, I believe.

REPORT OF COMMITTEE ON PLANS FOR THE INTERSTATE ASSEMBLY

Your Committee on plans for the Interstate Assembly recommends that the executive boards of the American Legislators' Association and the Council of State Governments be empowered to select the time and place for the meeting of the Interstate Assembly in 1937.

And your Committee further recommends that the meeting of the Third Interstate Assembly be held in the National Capital or in the city where the headquarters of the American Legislators' Association are located.

Your Committee suggests that those having in charge the program for the Interstate Assembly consider the inclusion in that program of a full discussion of the European system of taxing real property and of the adoption by the several states of a system of real property taxation, which will be based upon ability to pay.

Your Committee on plans for the Inter-
state Assembly suggests that the program of the Third Assembly should include three or four subjects of current legislative interest.

Your Committee further suggests that liquor and crime control, social security and such questions of vital importance as may arise during the next two years be considered for the program of the Third Interstate Assembly.

SPEAKER BELKNAP: You have heard the report of the committee. What is your pleasure?

It was regularly moved, seconded, and the report was adopted.

SPEAKER BELKNAP: Will the Senator read the remaining resolutions? I think most of them can be voted on without discussion because I think they explain themselves.

MR. PARKMAN: This is a resolution offered by Judge Leser of Maryland relative to the right to tax private property on governmental reservations. "Resolved, That it is the sense of the Second Interstate Assembly that the federal government, through Congress, should grant to the several states jurisdiction to tax privately owned physical property located in government reservations situated within the boundaries of such states, and to tax individuals residing on such reservations on their incomes or intangible personal property unless it is shown that they are taxed thereon elsewhere."

SPEAKER BELKNAP: You have heard the resolution. Is there a motion to adopt the resolution?

It was regularly moved, seconded, and the resolution was adopted.

MR. PARKMAN: This is a resolution offered by the Tax Commissioner of Massachusetts, Henry Long. In its original form I was not able to understand it and I am not able to understand it much better in its present form.

"Whereas, Taxpayers are compelled to spend large sums in complying with widely different requirements of different taxing jurisdictions and"

"Whereas, The honest taxpayer suffers because his less scrupulous competitor takes advantage of the lack of uniformity in the interpretation of substantially similar statutes, for example, rulings as to what are and what are not essential governmental activities; therefore be it"

"Resolved, That pending the development of a more comprehensive program to harmonize conflicting tax laws and to avoid duplicate taxation, it is the sense of the Second Interstate Assembly that legislative bodies in enacting revenue legislation, and administrative officials in interpreting such statutes and in developing administrative procedure and forms of reports, strive for simplicity and uniformity."

HON. WILLIAM H. HACKETT (Connecticut): I move the resolution be adopted.

The motion was regularly seconded.

SPEAKER BELKNAP: It has been moved and seconded that this resolution be adopted. Those in favor say "aye"; opposed, "no." The ayes have it and the resolution is adopted.

MR. PARKMAN: Here is one offered by a gentleman from Tennessee, former Senator Chambliss, who has been reading a book written by Freund and also something by Professor Frankfurter. The Resolutions Committee was not able to give this the consideration it deserves.

"Whereas, Many problems of administrative law arise in consequence of the various functions the states find it necessary to deal with and it is the sense of the Second Interstate Assembly that a specific, concrete, definite and practical approach be made toward coordinating these functions which are of immediate concern to states which are adjoining or find it necessary to control identical or similar functions; now therefore be it"

"Resolved, That there be consideration given in the near future to discussion, publicity, and research with respect to the following aspects or functions of state governments and such others as may be of like concern:

(a) Passage of enabling acts empowering the taxing or establishment of a code of ordinances or administrative regulations which are sanctioned by the legislatures within the orbit of the enabling act, the action of some national organization such as the American Automobile Association and also, the state officer in immediate charge of automobile licensing to establish comity as to licensing;

(b) Passage of enabling acts empower-
ing the fixing or establishment of a code of ordinances or administrative regulations which are sanctioned by the legislatures within the orbit of the enabling act; the action of the National Conference of Insurance Commissioners and the state officer in charge of the regulation of the business of insurance;

"(c) Passage of enabling acts empowering the fixing or establishment of a code of ordinances or administrative regulations which are sanctioned by the legislatures within the orbit of the enabling act, the action of the United States Commissioner of Agriculture and the state officer in charge of plant inspection and disease control;

"(d) Passage of enabling acts empowering the fixing or establishment of a code of ordinances or administrative regulations which are sanctioned by the legislatures within the orbit of the enabling act, the action of the United States Commissioner of Agriculture and the state officer in charge of the grading and classification of agricultural products for sale in market."

I wish the gentleman from Tennessee would tell me what that means.

SENATOR BENJAMIN E. HARWOOD (Connecticut): I move the resolution be laid on the table.

The motion was regularly seconded:

SPEAKER BELKNAP: It has been moved and seconded that the resolution be laid on the table.

HON. W. H. O'GARA: Has the gentleman who offered the resolution the right to be heard?

HON. JOHN A. CHAMBLISS: This is an endeavor on my part, and I think an entirely innocuous endeavor, to suggest to you gentlemen and to the Interstate Assembly an idea with respect to coordination between the states in a very simple way and in a manner that can be accomplished through administrative regulations. To be specific, and to give you one of the things I intended to operate, let us take the insurance laws. As you all know, we have standard provisions regulating insurance. What I want to do is undertake to have statutes passed in the various states providing that if, and when, the National Conference of Insurance Commissioners agrees on certain provisions with respect to the regulation of insurance and your particular insurance commissioner chooses to come within the scope of those regulations, those regulations shall be in force in your state.

The same thing will be applicable to regulations with respect to automobile licensing. It would enable the highway commissioners to agree with other highway commissioners on automobile licensing. Mr. Long, or someone, mentioned here the problem of plant disease control and inspection of plants shipped from state to state. The same thing would be true there. In other words, unless your own state chose to bring itself within the scope of these regulations, it would not be within the scope of the regulations.

Now all I am asking is that some consideration and some investigation be given with respect to this. As Mr. Parkman has rather jokingly said, I am very much interested in, and I commend to your attention, Ernst Freund's _Power Over Persons and Property_, and such books as Hart's _Ordinance Making Powers_, and also Carr's little book on _Delegated Legislation_. Carr's idea is to withdraw as far as possible the detail of administrative regulation from legislative action and to put it in the hands of administrators in the various states within this orbit—and Mr. Parkman was more or less making fun of my word—fixed by the state legislature.

SENATOR J. V. WEBER (Minnesota): Would it not be better, in fewer words, to ask this Assembly to go on record as favoring doing away with all state legislatures and putting everything in the hands of department heads?

MR. CHAMBLISS: On the other hand, as I look at it, it gives the legislature a peculiar dignity that it does not have when it undertakes to deal with detail, and I commend especially, to the Senator's attention, Carr's little book of forty-five or fifty pages on delegated legislation.

SPEAKER BELKNAP: May I ask what is your pleasure on this resolution? I have heard a motion to table and it has been seconded. Those in favor will say "aye"; opposed, "no." The noes have it. The question is on the adoption of the resolution. Those in favor will say "aye"; opposed, "no." The ayes have it and the resolution is carried.

SENATOR PARKMAN: One more resolu-
tion, offered by the representative from Massachusetts, Mr. O’Connell.

"WHEREAS, The problem of securing a fair contribution to the cost of state and local government by owners of intangible property has not received recent comprehensive study; and

"WHEREAS, The distribution of the tax load has been materially altered by the developments of the past few years; and

"WHEREAS, The problem is one directly involving interstate competition and conflict of tax jurisdiction; and

"WHEREAS, The present system of taxation has been found to be obsolete, therefore be it

"RESOLVED, That the Interstate Commission on Conflicting Taxation either directly or by reference is hereby requested to investigate carefully the entire problem of the distribution of the tax load between owners of intangible property and other persons with a view toward formulating a new tax system, under which taxes will be assessed according to the theory of ability to pay; and in particular to estimate the feasibility of securing the joint action of two or more states in order that states imposing taxes on intangible personal property or the income therefrom may be protected from the competition of other states, and in order that the possibility of relieving real estate tax burden by this means may be canvassed."

It was regularly moved and seconded that the resolution be adopted.

Speaker Belknap: You have heard the resolution. Will the sponsor of this resolution kindly explain it?

Hon. Raymond F. O’Connell: The thought I have in mind in presenting this resolution is this: Our present system is such that in Massachusetts our tax system in its entirety, in my opinion and in the opinion of many of us, has been obsolete for many years. Since our local city and town budgets are made up the early part of the fiscal year and everything not raised by indirect taxes is loaded onto real estate, the owners of the real estate assume the greater part of the burden of the expense of government. In my opinion this has not been fair, since the old theory that a man’s wealth is estimated by his property has been exploded. For that reason I thought that this Commission might be able to devise some kind of new tax system whereby the load would be spread more equitably than it is now.

The second part of it provides that if any state—as we are contemplating doing now—goes back to the system of taxing intangible property at local property rates or otherwise, surrounding states could enter into agreement to do the same thing so that the state first taxing intangibles would not lose a great many people and much property by removal into other states where the tax can be escaped.

Senator Paul D. Grady (North Carolina): I heartily agree with the resolution. What we are trying to find is a small-group of folks with lots of money and very few votes, and that is why I want the resolution adopted, to see if we can find them.

Senator William A. Davenny (Massachusetts): Here is a thought that goes with this resolution: At the present time there are billions of dollars worth of intangible personal property in the United States which pays no tax at all because it doesn’t bear dividends. It is time that was investigated. I am not in favor of “soaking the rich,” neither am I in favor of “soaking the poor,” and I believe the sales tax is a method of “soaking the poor.” In our state we have some sixteen billion dollars in intangible personal property and only between four and five billion dollars of that pays any tax. The rest of it—lies dormant and the owner of it is exempt from taxation because he has no income. It is time that source was reached for taxation.

Speaker Belknap: What is the pleasure of the Assembly? It has been moved and seconded that this resolution be adopted. Those in favor will say “aye”; opposed, “no.” The resolution is adopted.

Hon. John P. Hennessy (New York): I move we adjourn sine die.

The motion was regularly seconded.

Speaker Belknap: It has been moved and seconded we adjourn sine die. Those in favor of that motion will say “aye”; opposed, “no.” The ayes have it and the Assembly is adjourned.

The meeting adjourned at 6:30 p.m.
THE meeting was called to order at
nine o'clock by Speaker Belknap.

Speaker Belknap: I don't know
whether the people here are as relieved as
Mr. Toll and I are that this day, full of
various arguments, has come to a success­
ful and happy close without any fatalities.
We have come to a very enjoyable part of
the Assembly's program and I am going
to turn the task of toastmastering over to a
man who is a past master as a toastmaster.

Dr. Luther Gulick, Director of the Institu-
tute of Public Administration of New
York.

Toastmaster Gulick: I don't know
whether an introduction of that sort was
friendly or not. I was happy to finish this
meal without being shot. The very first dis-
cussion which my colleague and I engaged
in was with reference to school elections in
his native state, and I think it is quite re-
markable that he is here at all. You know
they shoot people in connection with the
election of school trustees in Kentucky. It
is a very poor year when they don't have
at least three or four or five school trustees
shot in the elections down there. But we
are not only surprised to have this one
representative from the legislature of Ken-
tucky with us, but also to have another
representative here, in spite of their com-
ing from such a dangerous state.

Out in the state of Nebraska—I don't
know whether it was entirely on account
of the legislature or for other reasons—
the people recently decided to have only one
chamber in the legislature. I think we
should not proceed with the discussion to-
night without hearing a few words about
that very interesting experiment in Ne-
braska. Therefore I want to ask the Speaker
of the Nebraska House of Representatives,
Mr. O'Gara, if he will favor us with a short
discussion of the essential point of view
and the objectives and the hopes, of the
new Nebraska experiment.

Address by Hon. W. H. O'Gara

It is true the unicameral legislature is
an experiment in the state of Nebraska and
there are causes for this experiment. I
might say, among other causes for its adop-
tion, that those who have observed legisla-
tion realize that about twenty per cent of
the membership of the two houses—where
you have the bicameral system—do all the
work, so we concluded in Nebraska that
we would only send that twenty per cent,
and that is one of the reasons for our uni-
cameral legislature.

However, the real reason is Senator
Norris who is the best loved and the most
dearly hated man in the state of Nebraska,
a man whom we look up to, a man whom
many frown upon. He has theories and
ideas of his own: His reason for the uni-
cameral legislature was that he felt
a better class of men and women would be
chosen with a smaller house. He also ob-
jects strenuously to that committee which
is supposed to destroy a lot of good legis-
lation, that is, the conference committee
of the two houses. I have observed, how-
ever, that the conference committee very
often writes into a bill things that should
have been in it in the first place.

The Nineteenth Amendment

Personally, I did not favor the unicameral
legislature and I had two reasons for not
favoring it. However, since the baby has
been dumped in our laps we propose to
nourish it. One reason why I objected was
because of the Nineteenth Amendment.
Now you may wonder why I object to the
Nineteenth Amendment. I don't object to
it, but we find in rural regions that the
farm women do not go to vote, particularly
in the primaries, and therefore the cities
and towns, even in the state of Nebraska
where we do not have the large cities you
have here in the east, are controlling our
elections, and with the unicameral legislature we know the cities and towns are going to control legislation in Nebraska.

Other Objections

Also, we are likely to build up an aristocracy of legislation, an aristocracy of government if you please. It may not seem that will come about, it may develop gradually. There have been a few of us farmers who have been recognized either for our ability or our persistence, I do not know which. I am a farmer, I have never done anything else but farm until a half dozen years ago when, like many farmers, I retired because of ill health and the depression. The chief clerk in our legislature is a farmer. We do not want to have the cities and towns run the rural regions, which I fear they are going to do.

Another objection I had to a unicameral legislature was that I felt, with a small house, we should have fewer well-experienced members. I was in favor of a four-year term with staggered elections, the odd-numbered districts electing one year and the even-numbered districts two years later. Under that system, you would keep a group of experienced men at all times. I sincerely hope that if any of the states that are represented here decide to have a unicameral legislature, they will build it upon this plan. I think the two-year unicameral legislature will be a failure.

I wrote to Senator Norris and asked him to outline what he thought should be done in the way of smoothing the path for this one-house legislature. He said all we had to do was to set up the districts and go ahead. However, when the unicameral committee was created, and the Speaker was elected as the chairman of that committee, I appointed a subcommittee of three to go into the statutes. We found that in order to smooth the road for the new unicameral legislature, there were about 125 changes necessary.

Redistricting the State

We have not yet reported out of our committee the bills for redistricting the state and we know when it comes to that part of it, we are going to have plenty of trouble. In 1920, I was one of what we called the four horsemen in the Nebraska legislature. There were just four Democrats and the rest of the 133 were Republicans. During that session we had to redistrict the state on legislative lines. I remember one day we were at work when Dr. Hofmeister, one of the Democrats and a good old German, well educated, but speaking with a decided accent, said, "I object to the way you is. ruinin' a good Democratic district."

A young Republican lawyer from Omaha answered, "If it is a Democratic district how do you account for the fact that the stream running through that district is called the Republican River?"

"Well," he said, "because it is so damned crooked."

So I know we are going to have fun when it comes to redistricting the state.

I fear I have overstepped my time. However, among the resolutions proposed this afternoon there was one we neglected, and I am going to make a motion we thank Mr. Belknap and Mr. Toll and all those associated with them for the fine time they have given us down here and for the really wonderful success of this meeting.

TOASTMASTER GULICK: First we want to thank you very much for what you have brought to us. Second we want to put your motion, because I know we are all very enthusiastic about the work these people have done. All those in favor will say "aye." I never heard anything more unanimous than that. I hope that will be recorded and carried back to the secretariat to refer to during the moments of mental brain fag that follow a conference of this sort.

The next speaker was for many years one of the best congressional representatives of the state of Kentucky. The people in Kentucky thought so highly of him that they redistricted a part of the state and brought him back home where they could have him in their own legislature. Sir, it is a great pleasure to have you here this evening. It is an honor to be able to introduce Mr. Ralph Gilbert, a member of the legislature of Kentucky. He brings before us the first part of the topic of the evening, "The Effect of the Federal Economic Security Program on the States." Mr. Gilbert!
ADDRESS BY RALPH GILBERT

For a number of years I was in the habit of speaking in the House of Representatives of the United States, where nobody listens anyhow, so if any of you would like to retire, it will be neither a novelty nor an embarrassment to me.

An accurate and intelligent discussion of this subject would require not only a profound economist but an inspired prophet, because the federal economic security program has not yet been passed, and I am supposed to tell you what it is going to do to us when it is passed.

Considering the matter seriously, although briefly, while I am not an economist, I know as a matter of common sense that its greatest effect will be to nationalize this most local problem. If it is an incentive to economy to collect money locally, it is a far greater incentive to spend it locally. My observation is that the blessings and hardships, the advantages and disadvantages, of living in one part of our common country, are equal to those of any other part, but the circulating medium of exchange does not share that proportion.

Regional Differences

I have no doubt that the laboring man in an industrial center of Senator Davenport’s state of Massachusetts would have about as many pleasures and benefits of living as in the rural section which I enjoy. However, the amount of money required to secure such pleasures and benefits is vastly different. The employee in an industrial center in Massachusetts must have a substantial outlay for rent, a substantial outlay for fuel, for food, for each necessity of life, and an additional sum for a reasonable amount of recreation. The amount of money required to obtain the same benefits and pleasures in the rural community in which I reside is much less. In my section, the average rural employee has a home furnished for little or no rent. If he is a colored employee he probably has a few days in the garden for the house rent. Regardless of what the products he raises bring on the market, they have the same nutrition value as in Massachusetts. Food costs little, and for pleasure, there is the fishing pole leaning against the cabin and the hound dog asleep in the sun. Only yesterday I heard a distinguished Senator seriously advocate an average unemployment wage of 80c an hour. If 80c an hour was the unemployment wage in my section, a vast majority of both business and professional men would seek to get-on public relief. That is one reason why there must be localization, and in my humble opinion, as a son of the South, if it is administered on the northern scale, as all relief has to this time been carried on, it will not benefit the states of the South.

While relief is not a part of the economic recovery or security program, it is an introduction to it. The splendid county which I have the honor to represent in the Kentucky Legislature did not apply for any relief. In fact, it made it definitely known that it did not want any outside assistance. With our local committee we had found some seventy families who would need assistance during the winter. Later, we had to accept the relief and now we have 500 families on the roll.

Centralization of Administration

Another effect the program must have on the states is to centralize the state administration of these securities or benefits. In our section this centralization would also be undesirable. Not only does every state have its individual problems but every county in every state has its individual problems. We have in our county seven elected magistrates. They know their constituency well. We have a very personal administration of these public benefits. In my country it is somewhat of a reflection to go to the poorhouse—not a reflection on the poor, but on their family and their connections, because however remotely related one may be, he is not supposed to permit his relatives to go to the poorhouse. We therefore have a system whereby a worthy man, having the respect of the community, doesn’t care to send even a distant relative to the poorhouse. This individual will contribute an amount sufficient to keep his needy relative at home. This economic security program is bound to lead to state centralization which will impair the efficiency of the local agencies.

Dangers of Federalization

We have a wonderful country and a common country, but parts of it are very
different from other parts. If you will pardon some personal and human references, we people in the South keep poor taking care of the Negroes. At home the other night I was in a reflective mood. There I sat, thought I, without much of this world’s goods but with three servants, three reliable, faithful, lovable colored people. One of them is a little boy about eleven years old who was sort of bestowed upon us, a wonderful little colored fellow. I never saw him when he wasn’t smiling. His people live in the deep South, down in Alabama. We had no use for Joe, and my daughter and I went to the store to buy him a new suit to send him home, and we looked around and there were tears in his eyes, and my little girl said, “Daddy, we can’t send Joe home.” Well, now Joe is “on me” for the balance of his days.

All right, let’s apply, to Joe, the social security program. I simply state this to show how inapplicable any fixed program must be. As I understand it, it is contemplated that he is to have, and those other servants are to have, $30 a month—something like that. Well, if an old colored man in the South, leaning back against the cane, with every necessity satisfied and with all the pleasure his taste demands, is given $30 a month, he will be rich beyond his fondest dreams. I am simply trying to illustrate that it is a local and not a national program.

I have already consumed my time. I need not go further. My comments are, that while in this great and prosperous and glorious country of ours no man should be allowed to go hungry, at the same time it is a very dangerous field for the federal government to enter. It should proceed with great caution lest the incentive for self-protection be destroyed. Were I a delegate to a political convention of the opposite political faith this would be one of the subjects that I would “view with alarm.”

TOASTMASTER GULICK: Now we will turn to the other side of the picture.

Dr. Edwin E. Witte, as everyone knows, is the man who took hold of the tremendously difficult task of bringing together the factual material for the President’s Committee on Economic Security. His staff, in a great burst of energy, gathered what could be brought together from all corners of the world with reference to past experience in the handling of the problem of social security through central governmental action. Dr. Witte, we want you first to talk to us a little bit about the status of the program, and then I am sure that we can best proceed with general discussion. If you will leave a few of your ideas until later, they will probably be brought out in the questions. Dr. Witte:

ADDRESS BY EDWIN E. WITTE

I assume that my job here is to answer questions and assist you in your discussion of this subject, but first I will very briefly outline what the economic security program is, as presented in the Administration bill. I can’t tell you what it will be after Congress finishes with it, but I can tell you what it is now.

One point is very essential. The President, in his message, referred to the program in these terms: he said it was a cooperative federal-state program. That does not mean nationalizing the operation of the economic security program. That is a misconception. In fact, some states, I am sure, would rather have it much more nationalized, since the states and the federal government will share the cost of the program, and this legislation contemplates state and local administration. We will not disturb, to any appreciable extent, the arrangements already existing in local communities. I can assure you of that.

It is a national program in the sense Mr. Gilbert spoke of—it equalizes burdens. The difference, that Mr. Gilbert referred to, in the resources of different sections of the country, is very decided. This situation necessitates some assistance on a national scale in dealing with the very complicated and difficult and expensive problems that we group together under the title economic security.

So great are these differences that in 1929 there were five states in the Union in which the per capita income was less than $300, and five other states in which the per capita income was over $1300. We are a nation, and therefore the cooperative attack on many problems—not a nationalizing of the problem but a sharing of the burdens—is vitally necessary.
Now, what does the economic security program, in outline, deal with? Four matters: old age security, unemployment compensation, security for children, and extension of public health services.

**Four Point Program**

Under old age security are included two distinct measures: federal grants-in-aid to the states for assistance to aged persons dependent on the public for support, and a system of compulsory annuities by which people not yet old can build up their own protection for old age. I shall not deal with the latter of these here because it is entirely a national measure, the only strictly national part of the entire program. The number of aged dependents is very great everywhere in the country. Seven hundred thousand people over sixty-five years of age are now being cared for by the federal government, but in response to insistent public demand, they are to be turned back to the states for care under the general policy of returning responsibility for the care of the unemployables to the states. The states cannot be expected to carry that load alone. The plan is for the federal government to assist the states in dealing with the large group of unemployables, among whom are included the aged and also another large element in the present relief population—the fatherless families.

The unemployment compensation part of the program will not provide for the people now unemployed and on relief. It is a means of building for the future. Under such a system the unemployed of future years will not have to be dependent on relief. They will receive, as a matter of right, and for a period commensurate with their previous employment, an amount of compensation that will enable them to subsist without having to turn to the public for support. Such a system is impossible without state action, but no state can proceed alone unless assured that employers in neighboring states will have to make the same payments and operate under similar provisions. What we contemplate, then, is a system of unemployment compensation built upon state lines but with federal assistance which will enable the states to give unemployment compensation with the assurance that neighboring states are bearing a similar burden.

With regard to security for children, our first and foremost consideration is the ten per cent of all families now on relief, more than 350,000 of them, consisting of a mother and young dependent children—families where there is no breadwinner other than the mother, and where the mother is usually unable to provide support. Again, as with old age pensions, federal assistance to the states, not dictation but financial assistance, is proposed to help the states carry part of the burden of caring for these unemployables who are once more to be a state and local responsibility. Further, there are provided federal grants-in-aid for maternal and infant welfare services and federal grants-in-aid for the hospitalization and care of crippled children. These are all activities in which many of the states are now engaged, and which, during this period of depression, have strained their finances. Here you have again a very strong case for national assistance, not national dictation.

With regard to public health services, grants-in-aid to the states are proposed for the extension of state and local public health facilities. Such grants-in-aid are very popular and very necessary, particularly in the section south of the Mason and Dixon Line where that type of service is rather new, and undeveloped. So much for the general program.

**Slight Federal Control**

I want to emphasize, very definitely, this central thought: The degree of federal control involved in this program is very slight and possibly it will be even slighter when Congress finishes with it. It is far less than the degree of federal control imposed in federal aid for highway construction. Old age pensions are an illustration. The bill, as it stands, contemplates that old age pensions shall be paid under state laws and administered through state and local authorities. It does not contemplate financial participation by the localities, because in so many states we have the same financial problem that we face nationally. There are within the states relatively prosperous areas that can and should help carry part of the load of the less fortunate areas.

The federal bill proposes that the state
law must not require a residence within the state of more than five years, a restriction which, after all, is quite reasonable when we contemplate a situation where all states will have old age pension laws. Outside of the southern states there are, I think, only two other states that do not have old age assistance laws. The reason for the southern states not passing such laws is a fact which we all recognize; that the southern states, on the whole, comprise the area which, as Judge Gilbert said, has been poor because it has had to support a large element in the population which was not very productive.

The federal bill does not enforce a $30 a month pension. The standard prescribed in the statute is "a reasonable subsistence compatible with decency and health." That varies, of course, with the circumstances under which the person lives. It varies in different parts of the country. It varies between country and city. It varies with the particular situation of the individual. In the twenty-eight states which have old age assistance laws, the average pension grant is $26.47 per month. The federal legislation does not propose that those persons who are now being supported by their children, by friends, by relatives, shall not be so supported in the future. It merely contemplates that those old people who are dependent upon the public for support shall be given a grant, not a general relief grant, but a definite fixed grant which can be varied from time to time in proportion to their needs.

Even under relief, which has been much more nationalized than is contemplated for the social security program, the average grant per family in Mr. Gilbert's state is, I believe, just slightly over $10 a month. In the state of New York they have been over $40 a month, and that does not mean, as Mr. Gilbert has very well stated, that people are being taken care of any less well in Kentucky than they are in New York. But it does indicate differences in costs and standards of living, and these differences will obviously influence the grants for old age assistance. We do not expect that pensions of $30 a month will be granted to people in Kentucky or any other place where such a grant would be excessive. We do not expect that the states will run riot on old age assistance. There is one safeguard that prevents this: namely, that it will not be a purely national expenditure, and the states and local governments will have to pay half the bill.

To repeat, this is a cooperative federal-state program designed primarily to make it possible to provide for the aged, the fatherless families, and other unemployables who are being returned to the states. The alternative is for the states to carry that load alone. We do not feel that is the fair thing to do. These are local problems but they are also national problems. The great difference in the economic resources of the various sections of the country makes them problems of national concern.

Status of Legislation

A few words about the status of the legislation and the way in which these states fit into the picture. As has been stated, the legislation is still pending in Congress. There has been no unnecessary delay in the consideration of this legislation by the Congressional committees. Both committees have completed their hearings and the House Ways and Means Committee has re-drafted the bill and reported it favorably to the House, where it is now being debated. Members of both the Senate and House Committees have worked most diligently to expedite consideration of the bill. The House Ways and Means Committee laid aside all other matters and held sessions both forenoons and afternoons. Practically every member attended every session.

The economic security program is a measure of great importance involving entirely new policies. The Administration did not expect the Congressional committees or the Congress merely to rubber-stamp this bill, but has sought their cooperation in perfecting the legislation recommended. In carefully considering every section of this bill, the Congress is only performing its constitutional duty. This has taken time. It may take considerably more time. There is no doubt that in the end there will be legislation on this subject, legislation which will include substantially all of the matters that are now in the bill. There is
much demand for including other and additional matters, but I doubt whether many additional subjects will be included.

It is my belief that this bill will be enacted into law because the depression has taught us the vital necessity for making provisions which will protect the individual and give him some degree of security against the major hazards of life. While the particular measures that are needed differ in different parts of the country, a greater degree of security is necessary in every part of the country.

As regards the status of the legislation with reference to the states, there has been considerable misunderstanding of the situation. Recently there have been newspaper stories to the effect that delayed consideration of the bill has doomed the entire program because the state legislatures cannot possibly act upon it this year. These stories have little foundation in fact. Forty-three state legislatures met in January in regular session. The legislature of the state of Wyoming has already adjourned. Prior to that, however, it enacted legislation authorizing the Governor to accept any and all portions of the economic security program. It gave the Governor practically blanket authority to act for the state in the interim after the adjournment of the legislature. Three other states have sessions limited to forty or fifty days. Fifteen more have 60 day sessions which will end by the middle of this month or soon after. Several of these states have already decided to recess in order to be able to deal with portions of the economic security program later. One state has a 75 day limit, two have a 90 day limit, one a five month limit. Twenty out of the forty-three states have unlimited sessions. These include all of the major industrial states, with the exception of Indiana, which has a 60 day session and is contemplating a recess.

Special Sessions

There is reason to believe that a great many state legislatures will still be in regular session when the federal legislation is finally passed. Others that will not be in regular session can still take advantage of the federal legislation and it is my belief that the states, after a study of the problem, will reach the conclusion that it will be entirely to their benefit to take advantage of it. In this period of depression, as the magazine STATE GOVERNMENT pointed out, nearly all of the states have been holding special sessions almost annually. With Federal works plans still in the making, with the economic security program still pending, with the whole problem of what shall be done with people on relief still being considered, a great many of the states will want to hold special sessions. These problems cannot be evaded when we realize that at this time one-sixth of the entire population of the United States is dependent upon others for support.

States contemplating special sessions will do well to appoint interim legislative committees to keep in touch with the progress of federal legislation and to prepare state bills for the consideration of the legislatures when they meet. A similar course is open to legislatures with unlimited sessions whose other work will be completed before the Economic Security Bill becomes law. Such legislatures may prefer to recess to a specified time later in the year, providing for a study of the problem in the interim. Twelve states had interim committees prior to the present sessions; in twelve states reports have been presented and in all of those states the reports, independent of any suggestions from Washington, have recommended the enactment of unemployment insurance laws and the enactment of old age assistance laws where no such laws now exist.

But legislatures do not necessarily have to wait until the Economic Security Bill has been passed. Some states may be able to authorize their Governor to accept the federal legislation as Wyoming has done. Any state may pass legislation based upon the Economic Security Bill as introduced and be reasonably safe in doing so. Alternate model state unemployment insurance bills and suggestions for a state old age pension bill conforming with the federal legislation now pending in Congress have been sent by the Committee on Economic Security to the Governors of all states. It cannot be guaranteed that those bills will meet all requirements of the federal act as it is to be finally passed, but this seems highly probable.
The advocates of the so-called "subsidy plan" of unemployment insurance proposed many more restrictions upon state action—called by them "standards to which the state laws must conform"—than are included in the Administration's bill. If I judge the temper of Congress correctly, it is not inclined to place more restrictions upon the states. Certain it is that if the states do not want additional restrictions, the Congress will not enact them.

Cooperative Venture:

The legislation proposed by the Committee on Economic Security was framed in the thought that the attack upon the problems of insecurity should be a cooperative venture participated in by both the federal and state governments. There was no thought that the federal government should decide all questions of policy and dictate what the states should do. Only very necessary minimum standards are included in the Economic Security Bill, leaving wide latitude to the states to deal with their peculiar situations.

In taking this position, the Committee on Economic Security has assumed that the states are fully competent to decide basic questions of policy for themselves. The unemployment insurance committees or commissions which have studied this problem in more than a dozen states have prepared bills which are fully as good, if not better, than the standards which the advocates of the "subsidy plan" would write into the federal law for states to live up to.

It has seemed to the Committee that some of the energy spent in trying to get Congress to prescribe what benefits the states must pay, what waiting periods they shall have, and similar matters, might much better be devoted to securing passage of the very good unemployment insurance bills now pending in more than half of the states.

The Economic Security Bill, as it stands, is free from all unnecessary restrictions upon state action. It is truly designed to help the states with problems they will otherwise have to face alone. Some parts of the program will cost the states considerable money, but not nearly as much as they would otherwise have to carry alone. Under the Economic Security Bill, the Federal government will assist the states in carrying these burdens. Similarly, it will be to the interests of all states to enact unemployment compensation laws, so that employees may derive some benefit from the payroll taxes the employers will have to pay in any event. All states are directly interested in the Administration's economic security program and will want to cooperate in carrying out this program. Reports to the contrary, it is still entirely possible to do so.

A final word: The Committee on Economic Security will be glad to give you the best assistance that it can.

ToASTMASTEr GuLiCK: One very convincing proof of this readiness to assist was given us tonight by the fact that Dr. Witte flew all the way from Wisconsin in order to be here tonight to talk especially with the finance men from the various states and the members of the Interstate Assembly.

I am sure that you must have many questions.

HON. P. E. WARD (Ohio): The statement is made that there are old age pension set-ups in Kentucky at $10 a month and New York at $40 a month.

DR. WITTE: That is relief, and it is per family.

MR. WARD: I was wondering if the aid set-up contemplated, in final effect, the doubling of the grant in those states where they have aid of that kind now.

DR. WITTE: Well, of course that will be up to you. You will pay half the bill. But that isn't what we visualize, for this one reason: In every state, practically, there are old people who are not being taken care of but who ought to be taken care of. As a result of the recent financial stringency there are long waiting lists. The proposed law will mean, in some states perhaps, an improvement in the allowances. In a state like Indiana—and I am not criticizing any state—the situation has been such that the states have done the best they can. The allowances have been about $6 a month, which of course is an inadequate grant in Indiana, and in such instances federal assistance will probably take the form, very largely, of increasing the allowances. On the other hand, in the state of Maryland, where the law is really operative only in Baltimore, the grants have averaged close to $30 a month. That is
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the highest in the Union. Now in that state there are almost no people on the lists. The allowances are adequate but there are very few people on the lists. In that state the assistance probably would take the form of taking care of additional people, but in any event the local people will pay half the bill and will determine what shall be done.

HON. O. K. ARMSTRONG (Missouri): I would like to ask Dr. Witte if I understood correctly the proposition, in regard to the granting of allowances for any of these four major divisions of the program. Do you mean the federal law will be so written that it will be entirely flexible as to amounts, for example, for old age pensions or grants-in-aid to dependent mothers and children? Will it be so flexible that if Missouri, for example, should decide on a certain amount and our neighboring state should decide on double the amount or one-half the amount, the funds will be allocated to our states respectively in proportion? Did I understand that correctly? Or will there have to be a minimum, a flat rate from the Federal Treasury?

DR. WITTE: There is no flat rate from the Treasury.

MR. ARMSTRONG: In other words, there is no minimum that must be paid from the Treasury. If Missouri decides to pay six or twelve or eighteen dollars, then on what basis will the federal government decide on the amount to be granted the state?

DR. WITTE: The federal government pays one-half of the amount, with the maximum of $15 per case. Half of the cost is what the bill provides, with a maximum of $15 in any case. Now that $15 maximum has importance in highly industrialized communities. I can illustrate that by the state of New York, which now has a roll of 60,000 people on old age assistance. In the state of New York last year the old age grants averaged a little over $22 a month, but they averaged over $40 a month in the city of New York, and for the very obvious reason that in the city of New York it costs a lot more to maintain an old person. Where an old couple own their own home and live in a country district with a garden, the extra allowance that they need, even if they have no other source of income, is very small. The grant you need is small. It is entirely different from an old couple living in the city of New York where shelter has to be provided and where every other item of expense is very much higher.

Old age assistance and mothers' aid everywhere have meant adjustment to the particular needs of the individual. That is what we contemplate. You take into consideration how much that particular individual needs for a decent subsistence and you take into consideration what other income or equivalent of income that person has, and you provide the balance, and the federal government says, 'We will match you half way. We won't go higher than $15 a case.' That doesn't mean some cases and some individuals won't have to be given more than $15 from state and local funds, but the federal government comes up only to $15.

HON. HENRY G. VAUGHAN (Maine): Why $15?

DR. WITTE: The $15 is of course a purely arbitrary figure. It comes from the fact that the majority of the state laws now provide that old age assistance shall be computed on the basis of $30 a month, less the amount that the old person himself has. That is the situation in a majority of the states, but not in all states.

MR. VAUGHAN: It is arbitrary, you just say $15?

DR. WITTE: It is a sum that we assume isn't going to be questioned except in industrial communities.

HON. O. K. ARMSTRONG: Dr. Witte, one other question if you please. The decision as to the amount of payment and eligibility will rest entirely with the state. There will be no coercion on the part of the federal government to set up standards which will force each state to say if a man or woman in a certain condition shall receive the pension?

DR. WITTE: That isn't quite correct, no. There are a few standards in the bill as introduced. We do say that the state shall provide assistance for people who need it, who have no other means of support, and who are aged. The bill, as originally introduced, said that assistance must be granted to aged dependents who are residents of the United States, who have resided in the state for five years and who have no means of securing a decent subsistence.
Now the Ways and Means Committee has turned around those standards, and the law now simply says that if you impose a residence requirement in your law you may not have a residence requirement of more than five years. It sets as an ideal standard that you shall give assistance in an amount adequate to provide reasonable subsistence, but leaves the determination of what is reasonable subsistence primarily to the local people. The standards are very few.

Mr. Armstrong: Will the administration be left in the states or will the case work be done by federal supervisors?

Dr. Witte: There is no federal supervision in the picture at all.

Mr. Armstrong: The federal case workers will be dropped?

Dr. Witte: On the relief set-up.

Mr. Armstrong: This contemplates taking over the relief work too?

Dr. Witte: This does not contemplate completely taking over relief. The entire program contemplates that the unemployed shall be returned to the state control and that the states shall foot the bill, and that the federal government shall help in carrying that load.

Senator George Woodward (Pennsylvania): In connection with unemployment insurance, I would like to know when the model bill comes along to Pennsylvania whether in addition to the tax on the payroll of the employer, what the participation of the employee will be.

Dr. Witte: That is up to your state. We say nothing about it.

Hon. Ralph L. Ramsey (Georgia): I would like to ask Dr. Witte, in the program which contemplates the four major phases that you have mentioned, then must the legislation by the states also incorporate those four major phases or may it incorporate less than that?

Dr. Witte: Certainly, any part of it.

Hon. Ernest L. Averill (Connecticut): Do I understand the federal government is going to contribute something to this program?

Dr. Witte: The total appropriations amount to $98,500,000 in the first year and $236,000,000 the second year.

Mr. Averill: Then I understand that probably Connecticut will be one of those states which will be high on the list in proportion to what it contributes. Now we don't worry about our own situation but speaking about Kentucky, do the funds which we contribute toward this worthy program go into the state treasury of Kentucky to be distributed by the state or is it controlled by the federal government? We have no desire to control Kentucky's administration of the money which we want to contribute; of course we are very glad to do it if we have the funds, but we would like to know who distributes that money and who determines how it shall be distributed, whether Kentucky or the federal government.

Dr. Witte: Kentucky will do it in the main, with relatively few standards in the federal law—relatively few standards. In various parts of the program it differs. In the public health work there is very considerable control from the federal government because the public health people want that. On this matter of old age assistance, the control is very slight because conditions do differ so vastly and the largest protection to your people in Connecticut who are paying the bill is that after all the people in Kentucky will have to pay half the cost. At the present time, on relief, the people in Kentucky haven't been paying anywhere nearly half the cost.

Are there any other questions with regard to this program?

Mr. Vaughan: One more question. I come from the State of Maine. As I understand it, the federal government, represented by Dr. Witte, who has to bear it whether he likes it or not, is trying to help the states. Is that so?

Dr. Witte: We are not trying to help the states—we are trying to meet the problem of these people who are dependent, which is a common problem for us all.

Mr. Vaughan: I ask why, when you have a state like New York, which I am not at all interested in, which wants $40 for its poor—why you don't have a flexible system to help them out instead of giving them only $15 when Kentucky or Tennessee or Alabama gets $15 too? Why not help out the northern states as well as the southern, proportionately? Why not be flexible to suit the conditions instead of being arbitrary at $15?

Dr. Witte: We don't have $15 flat. If
Alabama doesn't pay an old age pension of $20, if it grants only an average of $10 as it well might, we would pay only five dollars to Alabama. But we do have an upper limit and it is arguable, I will grant you that. It is a question of public policy. If Congress sees fit to make that change, that is up to Congress. That isn't a vital matter. It is very frankly an attempt to limit the amount of money, to make the amount of money we have go as far as possible.

New York City and Boston are the two places right now where old age assistance averages above $30 a month.

Mr. O'Gara: I would like to say that time is the element we are interested in. Nebraska is about half through with her legislation. We have not taken up those matters with which this bill you speak of would deal. Just how long will it be before we might expect the federal government to pass this bill? We don't care to adjourn and then have a special session. I am one of those meticulous people who like to do a job right.

Toastmaster Gulick: I don't think that could be answered by our speaker or by anybody else at this stage, though it is a very pertinent question, and the discussion of it doesn't do a great deal of good. However, you have some members in Congress.

I think that the time has come when we will have to turn from this discussion, however interesting and profitable it is. In these problems we are beginning to move forward into entirely new fields and that is why we all come to it with such a feeling of bewilderment. In this recent depression, we have discovered that the state as a unit isn't a unit, that is—in the economic fields, because of the free movement of commerce and the free movement of population. These are two things which the states cannot control under our federal system. As a result of those things the individual American state has no economic skin. The fact that the state has no possibility of closing the doors on commerce or on the movement of population or of wealth means that this country has to deal with economic problems on a larger foundation than the state.

That is a necessary condition that we have accepted with the system of federal government. It has only been very recently that we have discovered the difficulties of the effort to maintain ourselves on state lines which do not coincide with economic lines. There are limits to how far you can go under a federal system and we don't know what those limits are. We don't know how far it is desirable to go and at what point we will begin to get into difficulties. There are undoubtedly limitations in the nature of our federal system and in the nature of the populations of which we are made up.

There is an announcement to be made at this time by the Reception Committee of which Senator Davenport of Massachusetts is the Chairman.

Senator William A. Davenport: I desire to offer some resolutions, as follows:

"Resolved, That the Assembly convey to Honorable Frank Ruth, Chairman of the Ways and Means Committee of the Pennsylvania House of Representatives and official delegate to the Second Interstate Assembly, its wishes for his speedy recovery from the attack of pneumonia which prevented his attendance."

Toastmaster Gulick: You have heard the motion. Is there a second?

Toastmaster Gulick: All those in favor will say "aye"; opposed, "no." The motion is carried.

Mr. Davenport: "Resolved, that the Second Interstate Assembly send its condolences and its sincere sympathy to the Honorable William H. Labrot, member of the Maryland House of Delegates and official delegate to this Assembly, who was prevented from attending the Assembly by the death of his distinguished father."

Toastmaster Gulick: You have heard this resolution. Is it seconded? All those in favor will say "aye"; opposed, "no." This motion is likewise carried.

Mr. Davenport: Will you read this last one?

Toastmaster Gulick: "Resolved, that the Second Interstate Assembly express its deep appreciation and gratitude to President Roosevelt for his leadership in endorsing the call for this Assembly, which leadership contributed so significantly to its success."
That the Assembly extend a vote of sincere thanks to all others who have contributed to the success of this meeting, and especially to the president of the American Legislators' Association, Hon. William B. Belknap and to the president of the Council of State Governments, Governor John G. Winant, to the chairman of the Interstate Commission on Conflicting Taxation, Senator Seabury C. Mastick, to the chairman of the Resolutions Committee and to each of the other committee chairmen and to each committee member to whom this Assembly is especially indebted.

That the Assembly express its appreciation for the unselfish support which it has received from the members of all the state legislatures and the governors, whose far-sighted assistance in furthering this project has materially promoted friendly cooperation among the states.

That the Assembly extend its sincere thanks to the men who, as invited speakers, contributed so substantially to the interest and value of the sessions: Honorable Henry F. Long, Professor Robert Murray Haig, Honorable C. H. Morrissett, Honorable Mark Graves, Honorable Lovell H. Parker, Honorable Ernest L. Averill, Honorable Enoch Fuller and Honorable Ralph Gilbert.

That the Assembly especially acknowledge the gracious chairmanship of former Governor John Garland Pollard of Virginia at the opening dinner and the interesting and thought-provoking message on interstate cooperation of Governor Leslie A. Miller of Wyoming.

That the Assembly also express its appreciation to the Honorable Robert L. Doughton, Chairman of the House Ways and Means Committee, and to the Honorable Fred M. Vinson, Chairman of the Subcommittee on Double Taxation, for their interesting and informative addresses to the Assembly on the question of conflicting taxation as it affects federal fiscal problems, and especially for their cordial spirit of cooperation between federal and state governments.

That the Assembly acknowledge with gratitude the enthusiastic and fair-minded attitude of the press toward the efforts of this Assembly and its generous and encouraging comments regarding the various phases of the project for governmental harmony of the American Legislators' Association and the Council of State Governments.

That the Assembly express its appreciation to the management of the Mayflower Hotel and to the Greater National Capital Committee for their courteous service and assistance.

You have all heard the reading of this resolution. The motion is seconded. All those in favor, say "aye"; opposed, "no." The motion is carried.

Mr. President, I now turn the meeting over to you.

SPEAKER BELKNAP: I will now call on a man who I think has grown in all of our affections from the time we started knowing him. I don't dare say too much for fear I will be accused of fulsomeness. I want to call on Henry Toll.

ADDRESS BY HENRY W. TOLL

I am an ambitious pessimist—which I would define as a man who always expects the worst but is never discouraged by that fact. Consequently, although actively interested for ten years in the project which is now operating under the joint auspices of the American Legislators' Association and of the Council of State Governments, I have never before expressed the conviction to anyone that this was a permanently established project.

Tonight, for the first time, it is my belief that if we could isolate the ten individuals who are doing the most to furnish the initiative and the propelling power for this project, and subject them to the same trifling operation to which der Führer subjected the two beautiful society ladies a fortnight ago, and then if the Spelman Fund, after the fashion of a toy balloon, should suddenly explode, this project would go forward.

Under these circumstances, upon the adjournment of this afternoon's session, sentiment got the better of me, and with the help of a patient stenographer, I dictated the following expressions of appreciation to some of the many individuals who have given aid and comfort to a struggling and ill-perfected organization.

About ten years ago a college professor, whom I had never met, wrote to me from a southern state, saying that as a legis-
lator he had delivered an address endorsing the project of the American Legislators' Association—a project which at that time had only begun to chip the egg. That is probably the first public address ever made endorsing this undertaking. If my work in this field had brought me no reward but the friendship of that erstwhile college professor, I would be, in large measure, compensated. He is the President of the American Legislators' Association, and the Speaker of the Interstate Assembly—William B. Belknap.

When the Association held its first meeting in the Senate Chamber of the Colorado State Capitol during the summer of 1926, a few individual legislators drifted in—from a very few states. Most of them dropped in somewhat casually because they happened to be in town in connection with a meeting of the American Bar Association. There was only one fact in which an impartial observer could have found any grounds for optimism as to the future of the organization. That single good omen was the arrival of a delegation of eight men from two thousand miles away, four Pennsylvania Senators and four Pennsylvania Representatives, sent by official action of the legislature and by virtue of a state appropriation. The attendance of that delegation was largely due to the interest of a brisk, knickerbockered senator, whose unique personality will be one of the longest remembered features of the early days of the American Legislators' Association. From that time to this, his interest has never flagged. He is the only individual in the United States, with one exception, who has assumed a substantial burden in the financing of this work. The Association has never solicited financial assistance from individuals, but at the Denver meeting, without provocation, the gentleman in knickerbockers handed me a check for $500 for this work, and when I endeavored to express appreciation, he answered, "Oh! that's quite all right. I'll do at least that every year." That was a decade ago, and since then he has not only carried out his original intention, but during almost every year he has—according to his custom—done much more than he promised. He is the first vice-president of the American Legislators' Association, Dr. George Woodward.

Since there is not sufficient time to discuss the participation of other individuals in this detailed way, I am going to do little more than to list a few of the many who have helped to launch the Association.

Fifteen years ago I used to travel daily in the Harlem Valley Club Car plying between New York City and Westchester County. One of my pleasantest recollections of that experience is my association with an amiable gentleman who—like myself—had never thought of going to the legislature. Since that time he has become a legislative leader of the Empire State, and has developed an outstanding reputation as a practical expert in the fields of governmental efficiency and of interstate cooperation. He is now Chairman of the Interstate Commission on Conflicting Taxation, Senator Seabury C. Mastick.

When a meeting of the American Legislators' Association convened in Buffalo in 1927 there were five persons present: myself and four newspaper reporters. I laughed as heartily as they did, and they then inquired what it was all about. When I told them, the tenor of their remarks was "It's a damn good idea at that." They posed me, photographed me, and ran front-page stories reporting the inspiring meeting of lawmakers and its national significance. As the day progressed, the meeting improved, and the luncheon was a genuine success. I had invited as guests of the Association, the members of the National Conference of Commissioners on Uniform State Laws and also the members of the Buffalo Bar Association. About thirty from each group put in an appearance. What made the meeting successful was that the Buffalo lawyers thought that the Commissioners were legislators—and the Commissioners thought the Buffalo lawyers were legislators. After listening to an able address by Franklin Edmonds, the speaker of the day, they left in an apparently satisfied frame of mind. Franklin Edmonds was himself one of the original Pennsylvania delegation to which I have referred, although by the time of the Buffalo meeting, he had retired from legislative office, to become Chairman of the Pennsylvania Tax Commission.

However, that afternoon one state legislator arrived who had come to Buffalo primarily to satisfy himself concerning the
character of the organization. He was a man who has given inspiration to many individuals to do more than their part in legislative work, just as his participation has given encouragement to many in their work for this organization. I refer to Henry Shattuck of Massachusetts.

A year after the Buffalo episode, the Association’s annual meeting convened in Seattle. There may have been as many as seven or eight legislators present.

Feeling that my two terms as president of such a magnificent Association had been considerably more than my just desert, I pleaded with the only legislator present who could conceivably have served in that capacity, to succeed me. Reluctantly, and as a personal favor to me, he accepted. His interest and enthusiasm increased as time went on—as has been the case with almost everyone who has taken part in this project. For two years he worked diligently as president of the Association. He has made many trips across the continent on its work. On his own initiative, and without expense to the organization, he has visited several legislatures in its behalf. He is Robert Patterson of California.

It is difficult to characterize some of the other colorful personalities who will be remembered in connection with the first decade of this undertaking: John Chambliss of Tennessee, whimsical, well-read, an incorrigible enthusiast; Beverley Herbert of South Carolina, quietly resourceful, modestly influential, incurably loyal; Henry Parkman of Massachusetts, studious, earnest, witty, unctitous; Willis Smith of North Carolina, of attractive personality, Tar Heel accent, vigorous mind; Philip Sterling of Pennsylvania, full of determination, good humor, and fiscal knowledge.

Federal lawmakers, too, have given aid and comfort, and the Association owes a permanent debt of gratitude to former Congressman Ralph Gilbert of Kentucky, who is with us today, a courtly southern gentleman; to Robert Luce of Massachusetts, a true New England scholar; to Kent Keller of Illinois, energetic, tireless, purposeful; very recently to Robert Secrest, Ohio schoolmaster. For several years we have also been greatly indebted to Senator Frederick W. Steiwer of Oregon for aid and counsel.

Another Congressman, whose assistance and sponsorship should not be forgotten, is the majority leader of the United States House of Representatives, my personal friend, Edward T. Taylor, who in 1926 made an inspirational address at the first meeting of the American Legislators’ Association, and who has taken an active interest in the development of this organization.

My sentiments of sincere appreciation concerning Congressman Doughton of North Carolina, the grand old man of the Ways and Means Committee, and concerning Fred Vinson, dynamo of the Congressional sub-committee on Conflicting Taxation, are already in today’s record.

It is not easy to give adequate expression to the appreciation which is due to Lovell Parker, who, as the technical adviser of Congress in matters of taxation, has taken a right hand of fellowship. In his Yankee manner—honestly come by in the town of Barnstable—he has never promised anything and has always done everything that he could, which means a great deal.

For many years, until recently, the legislative counsel of the United States Senate has been Fred Lee, a man in whom one discovers from year to year new depths of character; and the legislative counsel of the United States House of Representatives since that office was established, has been that indefatigable worker, Middleton Beaman, who has rendered Congress a tremendous service. At no time have either of these over-worked men been too busy to do anything that has been asked of them in this behalf. This characteristic is one which they must have acquired in part from that lovable friend to all honest workers in the civic vineyard, that patron saint of good government, Joseph Chamberlain of Columbia University, whose protegés they both were—and to whose encouragement and counsel this project owes much.

Mrs. Harold Ickes of Illinois is one of several women in the state legislatures who have, loyal participation in the organization’s work for years—the outstanding one.

I wish that I might enumerate various legislators whom I have not already mentioned, who have helped to make the Interstate Commission on Conflicting Taxation what it is—legislators of the type of Earl Lewis of Ohio, Ben Oneal of Texas,
Alvin Reis of Wisconsin. Senator Oneal, always helpful, has made repeated trips from Texas to Washington in this behalf.

As typical of the group of fiscal officials who have also been faithful in connection with this Commission, I might point to Edward Leaky of Rhode Island, Henry Long of Boston, C. H. Morrissett of Virginia, and Leon Metzger of Pennsylvania—all genial, and all firm-purposed.

And a power without which neither the Conflicting Tax Commission nor the American Legislators’ Association, nor the Council of State Governments could have progressed so rapidly to its present stage of influence, has been Mark Graves, always steady, always hoeing the row with determination, always ready to help—and always accomplishing results in an unassuming manner. He has set an example of loyalty to this cause.

Our paths have crossed those of several governors, and the Council of State Governments owes its successful launching in large measure to John Garland Pollard, humorous and high-purposed exponent of southern culture and of southern friendliness; to Leslie Miller, the clean cut governor of a pioneer state; and especially to John Winant, somewhat nervous when he addresses an audience, but fearless amid the bullets when his plane was brought down on more than one occasion in the French escadrille. I will never forget the pleasure of last Decoration Day morning, seated under the trees at his home, with the White Mountains as our sentinels, planning for the beginning of the work of the Council of State Governments.

Not all of those who have taken us in when we were cold and hungry have been public officials. Some of them have been two-layer men—with an under-stratum of pedagogy and an upper-stratum of governmental experience. Consider, for instance, the encouragement which we have received from my friend of many years’ standing, Luther Gulick, who is probably on the verge of using his gavel to make me bring these remarks to an end; Arnold Bennett Hall, inventive man of good will; Leonard White, who would doubtless sacrifice his life on the altar of good government if the occasion called for it; and the courtly, John Wigmore, who has been the inspiration of many men who are now engaged in public affairs.

I suspect that we are indebted to some person of a previous generation for having infused an interest in government into an entire family. At any rate, for many years, Charles E. Merriam, eminent politician-scholar of the University of Chicago, has been a stalwart senior-counsel of this undertaking. His brother, John C. Merriam of Washington has been an unfailing friend. And their cousin, Frank E. Merriam, has been an active participant, first as state representative, then as senator, then as Lieutenant Governor, and recently as Governor of California.

I do not forget Raymond Fosdick, Arthur Woods and Beardsley Ruml. I should like to give public expression of my appreciation for years of patient and kindly listening on the part of Frederick Keppel, Robert Lester, Alfred Reed, and Henry Suzzalo—and of Henry Pritchett who exerted himself to secure for this work the support of an elder statesman whose acquaintance I have prized, Elihu Root. I look back to helpful conversations with many interested persons who are no longer on the scene—including John T. Pratt and Dwight Morrow. And I shall never forget the early championship of this cause by a departed advocate, Tyson S. Dines of Denver.

I have not expressed my personal indebtedness to one individual who knows as much as any other person concerning the American Legislators’ Association, and who has expended as much effort on its founding as any other person during the past ten years: Miss Margaret Casmon, whom I have yet to see irritated and whom I have yet to hear complain.

Some of my sentiments concerning Hugh Gallagher, George Benson, and James Martin, I have already expressed in State Government. The loyal work of Rodney Mott and of Lucius Hallett has been woven into the fabric of this enterprise, and every member of our staff has generously given the sort of assistance which mere money cannot buy.

I should speak of many legislative reference directors, individually, of whom Fred Wood, John Fertig and Allen Moore are only a few. But I will content myself with saying that the aid of Edwin E. Witte, the principal speaker of this evening, has constituted one of the buttresses upon which this structure has depended for support.
Everyone who knows our organization well, also well knows its debt to many of the staff members of the organizations of governmental officials which have their secretariats in the same Chicago building as ours. Since I cannot thank them all by name, I desire to express heart-felt appreciation to the generalissimo, as a representative of them all—to that unique genius who apparently never forgets a fact, a friend, or a good yarn, Louis Brownlow.

The government work upon which we are engaged could not have been begun without the temporary assistance of some private capital. That such capital has been available without so much as a suggestion of influence at any time, and as a minor part of the liberalities of one of several funds established by a single family, is a fact which—like the radio—never ceases to be a source of surprise for me.

And since I am bearing witness, I can hardly omit a sincere expression of my personal indebtedness—and may I say the indebtedness of this organization—to a certain Smith College graduate, who, without complaint, has made far greater personal sacrifices in this cause than I have ever thought of making.

There is one person, above all others, upon whom I have drawn for personal encouragement and for political philosophy. He is a private citizen, who strives for obscurity; in fact, he will reproach me for so much as mentioning him this evening. There is no doubt in my mind that upon the American continent he is entitled to recognition as a leading authority—if not the leading authority—concerning the techniques of coordinating units of government, of integrating levels of government, and of evolving improved machinery of public administration. I refer to that man of high purpose, of utter integrity, and of self-sacrificing devotion to the cause of good government, my friend, Guy Moffett.
Appendix

Agencies on Interstate Cooperation

FIVE months have passed since the Washington meeting of the Second Interstate Assembly and during that time each legislature in session has been advised of the Assembly's recommendation "that appropriate agencies on interstate cooperation be formed in each state." At the present writing (August, 1935) seven states—New Jersey, Colorado, Nebraska, North Carolina, Florida, Pennsylvania, and New Hampshire—have organized Commissions on Interstate Cooperation while sixteen other states have established Standing Committees or Interstate Cooperation in one or both branches of the legislature.

New Jersey Model

The Commissions on Interstate Cooperation have been established by joint resolutions modeled after that worked out in New Jersey by Senator Joseph G. Wolber. This resolution (which is reprinted on pages 78-79 of the April, 1935, issue of STATE GOVERNMENT) is prefaced by a statement of the confusion and conflicts existing between the states in both laws and administrative practices. This introductory section stresses the desirability of interstate cooperation for the purpose of developing "a more perfect union." To facilitate such cooperation and to perfect the participation of the state in the Council of State Governments, a Commission on Interstate Cooperation is created. It consists of:

"The five members of the Committee on Interstate Cooperation in the Senate;

"The five members of the Committee on Interstate Cooperation in the House of Representatives; and

"Five officials of the state named by the Governor, one of whom shall be designated by him as the Chairman of the Commission."

The chief difference between these Commissions and the Committees on Interstate Cooperation is that the Committees consist of legislators alone, while, as outlined above, the Commissions include legislative and executive representatives.

Members of the various Standing Committees on Interstate Cooperation in the Senate and House of Representatives become, ex officio, members of the Senate and House Councils of the American Legislators' Association. In those states where Commissions have not yet been created the Committees are thus organically connected with the Council of State Governments through the joint secretariat of the American Legislators' Association and the Council. It is anticipated that most of these legislative committees will be expanded into Commissions on Interstate Cooperation, similar to those which have already been created in seven states.

Field of Usefulness

A wide field of usefulness is open to the new Commissions. One of the most important possibilities lies in the negotiation of interstate compacts for the control of crime and the supervision of paroled criminals. Another important use to which the compact method might be put is in the field of taxation. Motor vehicle regulation is yearly becoming more and more a matter of interstate concern. Division of water resources, without expensive litigation, is important to a large number of states. The recent Supreme Court decisions point to even wider state activity in the regulation of business and labor which means more need of cooperation than in almost any other governmental activity.

In addition to the compact method, Commissions on Interstate Cooperation will be able to encourage and utilize other means of strengthening the tie that binds the forty-eight states. Administrative agreements, uniform laws, reciprocal statutes; all are in the embryonic stage and ready for the fostering care of some "agency on interstate cooperation."
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SUMMARY OF THE PROCEEDINGS OF THE SECOND INTERSTATE ASSEMBLY

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