

THE UNIVERSITY OF NORTH CAROLINA NEWS LETTER

The news in this publication is released for the press on receipt.

Published Weekly by the University of North Carolina for the University Extension Division.

FEBRUARY 13, 1924

CHAPEL HILL, N. C.
THE UNIVERSITY OF NORTH CAROLINA PRESS

VOL. X, NO. 13

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Entered as second-class matter November 14, 1914, at the Postoffice at Chapel Hill, N. C., under the act of August 24, 1911

OUR BONDED DEBT

A WELL-BALANCED STATE

I am sure that all of us whose business takes them now and then out of North Carolina have had of late the experience of being asked a good many questions about the progress that North Carolina is making. I have been asked, as I am sure you have, to describe it, and to try to account for it, many times. But the other day I was asked a new question, that I want to pass on to you. It was this: "What are you people in North Carolina aiming toward? What sort of a state are you trying to make?" The question interested me, and I told him, after due consideration, that it seemed to me that what we were trying to do in North Carolina was to work out the problem of making a well-balanced state.

It is a splendid thing for a state to rank high in this or that line of endeavor, to be first in this or that item. We all have a feeling of pride when we read of the enterprises in which North Carolina excels. But, after all, it seems to me that an even sounder test of the fundamental health of a state, a clearer answer to the question of its future destiny, is whether its development is a well-proportioned development, whether a balance is preserved and a symmetrical development assured among the various phases of its life as a commonwealth. The healthy man is not necessarily the man with the biggest biceps or the strongest legs. He is likely to be the man of symmetrical development. And the healthy state—that, too, isn't the state that develops one phase of its life at the expense of others: it is the symmetrical, the well-balanced state. Let us look at a few facts about North Carolina with this point in mind.

Agriculture and Industry

In the first place, a healthy state ought to have a proper balance between the great fundamental factors of agriculture and industry. A state suffers if it is either without industry or if it is over industrialized. As a boy, I lived in a little Massachusetts town that seems to me, as I look back at it, to have been a well-balanced community. There was a good deal of farming, there were some small industries in the town and more in the near-by city, there was no great wealth and no deep poverty, there was an old American stock that had built up the town and was proud of it. Aside from some superficial differences, the people were the same sort of people leading the same sort of lives and adhering to the same ideals that characterize the old American stock whether you find it in Massachusetts or in North Carolina. But to go back to that village now is for me a painful experience. It has become a bed-room for a growing industrial city. An alien population from Southern Europe has overflowed it and submerged its life and traditions. The life that I knew there as a boy becomes yearly more and more a thing of the past. And in hundreds of communities all over industrial New England that same process is going on. Industrial eminence has been won, but a healthy and well-balanced community life has been destroyed.

And, on the other hand, in these modern days wherever the work of the world is so specialized that no man can possibly live to himself alone, a state cannot be a symmetrical state if it is too exclusively rural. One of the most thought provoking things that I have read in a long time is an article by a South Carolina farmer, Mr. Alfred G. Smith, in the World's Work for January. He calls his article "Our Over-Populated Southern Farms." I do not know whether all of his conclusions would stand up under cross-examination, but there is certainly good common-sense in the statement that the rural states of the South suffer heavy losses because of the immense sums sent to other parts of the country to pay for manufactured goods, and that the people of the South suffer because the payrolls of the factories that make the goods they consume go to support Northern wage-earners, not to increase the opportunities of employment in the South.

In the census year the value added to raw materials by manufacturing processes was, for the United States as a whole, \$236 per inhabitant. For the principal southern states, on the other hand, it was \$96 per inhabitant, or only about a third as much—figures which show in graphic form the handicap under which the South is laboring in this respect.

Now in North Carolina in that year the value added to raw materials by manufacturing was \$160 per inhabitant, or \$417,000,000 altogether. This is a little less than twice as much as the average for the South. North Carolina leads the South in this field. In 1921, which was an unusually bad year, the value of its manufactured products was \$665,000,000, and I have no doubt that this year it is a billion dollars.

That is the position that North Carolina occupies in industry in the South. Now how does that compare, how does it balance up, with its position in agriculture? Well, it is a significant fact, and one that shows the balance and proportion of North Carolina life, that, except for Texas—which has so much land that it cannot well help itself—North Carolina leads the South also in this respect. This last year its crops were valued at 415 millions of dollars, while those of our nearest competitor in the South—except for Texas—were valued at 264 millions. We have developed both industry and agriculture to a high point as compared with our neighbors—that is what I mean by saying that the state is developing in a symmetrical way those two great fundamentals.

Balanced Urban Growth

Now there is another way in which our life is better balanced than that of the majority of states, and that is in the fact that our urban development is not concentrated in one or two large cities, but that it is distributed over the state in a group of cities large enough to be effective as municipalities and small enough to be cities of homes and friends and neighbors. It is a fortunate thing, I believe, that there is no outstanding, dominating, city in North Carolina, but a group of cities and towns that merge gradually and naturally into their surrounding country areas, so that we preserve here in an unusual, and, I believe, highly valuable way, a balance between urban life and rural life in the state.

System in Our Highways

I turn now to another phase of our life. We are all proud of the fact that North Carolina is doing so much in building good roads. But after all the significant fact is that not merely are we building a given mileage of roads, and spending a given amount of money to do it, but that we are building in North Carolina a road system that is designed to develop in a symmetrical way the life of all sections of the state. We have a balanced program in road building.

Developing Human Resources

I have tried to give you a few illustrations of what seems to me the well-balanced way in which our material resources are being developed. A state cannot afford to neglect its human resources for the sake of its material development. This is the most shortsighted of all policies. To develop men and women—that, after all, is the great task of any institution and of any commonwealth. How does North Carolina meet that test?

It certainly meets it in the great fundamental work that it is doing for the health of its people. The North Carolina State Board of Health is known all over the country as an example of what a board of health ought to be. Its work has been of literally incalculable value to the welfare, the efficiency, the happiness, of the people of North Carolina.

Then, again, the work which the state is doing in the field of charities and public welfare is by common consent the best in the South. The State Department under which the work goes on is generally recognized as the best organized and the most effective in this field anywhere in this section. North Carolina was a pioneer in the South in

this work, with all that it means for those of shadowed life and narrowed opportunity. And along with this we must put what the state is doing for its institutions for the unfortunate and defective, for the enlargement of which the last legislature appropriated two and three-quarters million dollars for the two-year period.

Balanced School Growth

When we turn to the field of education we find the same development toward a balanced program. The state has not neglected any phase of its educational life, has not advanced any part of it at the expense of the rest. What the state has done for its institutions of higher education in the past few years has attracted wide attention, but their growth has been not one bit more rapid than the development of the state's public school system.

It is a significant fact that while in 1910 the state was spending \$3,000,000 on its public schools, in 1923 it spent approximately \$23,000,000, or almost eight times as much. If we take 1900 as a basis, the state is spending 23 times as much in its public schools as it spent then. The average value of its schoolhouses has increased in 23 years from \$150 to \$4,500 and the number of children in the elementary schools has nearly doubled, while illiteracy has been cut in two.

The number of high schools has increased from approximately 30 in 1900 to 475 in 1923, and the enrollment in these schools from 2,000 to 48,831. There are twenty-four times as many boys and girls enrolled in the high schools of the state today as in 1900. These are amazing figures. North Carolina has built its educational system logically and wisely—it started at the bottom and developed its elementary schools. Then it set itself the task of developing a state-wide system of high schools.

And now the great increase in the number of graduates from these high schools has made necessary the systematic development of its institutions for higher education—a development not for one moment at the expense of, but along with, and as a necessary and inevitable result of, the development of its public schools. Here, again, the state has balanced up its program; it is developing its educational system in a symmetrical way.

Coordinate Development

The state, then, is developing its human resources as it is developing its material resources—it is going steadily forward in both of these great fields at the same time, and going forward in a balanced way.

This, I believe, is after all the thing that characterizes North Carolina. It is the coordinated way in which all phases of its life are advancing—the recognition of the fact that all of these phases of its life are members of one great body—a body that is growing as a human body grows, into a more and more perfect stature with the passing years.

And I believe it to be a task of this body, as of bodies of thoughtful citizens all over the state, to see to it that as North Carolina develops, her development is not along any one line at the expense of other phases of her life, but that the balance and symmetry which are evident in her life today shall be maintained and increased.—President H. W. Chase in address before the Raleigh Chamber of Commerce.

OUR BONDED DEBT

In this issue of the News Letter we are presenting a table showing the entire net debt of each state in the United States and all subdivisions of each state—county, city, town, school, bridge, drainage, hospital, road districts, and so on—per inhabitant for the year 1922.

The net bonded and other indebtedness for the state of North Carolina and all subdivisions of the state capable of incurring debt was \$182,711,045 and it amounted to \$69.03 for each inhabitant in the state. The net debt per inhabitant was larger in 26 states than in North Carolina. Oregon led with a total net debt of \$168.35 per inhabitant while Kentucky came last with a total debt of only \$20.60 per inhabitant. The average for all the states and their subdivisions was about ninety-six dol-

lars per inhabitant.

The debt for North Carolina was distributed as follows: state \$34,713,000, counties \$67,012,000, municipal and special districts \$80,986,000.

County and Municipal

It is necessary to divide this total debt into two classes,—(1) the state debt, and (2) the debt of our one hundred counties, our fifty-seven cities and four hundred and fourteen or more small towns, and our innumerable school, bridge, drainage, hospital, and road districts. The debt which falls under this second division amounted to \$147,998,000 in 1922. It is made up of thousands of bond issues voted by the people on themselves in the various county, municipal, and special district elections over a period of many years. It represents the sum total of obligations voluntarily assumed by voters in the various elections. The money has been spent locally for the benefit of the communities which incurred the debt. The bulk of it has been voted for the construction of roads, schools, and city and county buildings.

The interest on such debts, and the sinking fund necessary to retire them, are paid by special assessments against property in the respective counties and communities. Such debts are local obligations, voluntarily assumed by the voters concerned and the state government is in no way involved in such debts. Such debts are carried by assessments against property, which is not true of the state debt as the state levies no property tax. The property tax payer, then, carries the local debt but he bears no part of the cost of carrying the state debt.

The State Debt

Our total state debt in 1922 amounted to \$34,713,000. At the time the state began its great construction program about three years ago the state debt amounted to about 12 million dollars. By 1922, due to large expenditures on a state-wide system of good roads and for the enlargement of her various institutions, the state debt had increased to \$34,713,000. At the present writing the total state debt, including bonds and notes, amounts to approximately 75 million dollars, not all of which has been spent as yet. The debt is distributed as follows: 12 million dollars of old debt, 18 million dollars of bonds and notes for the enlargement of our state institutions of all kinds, and 45 million dollars of bonds and notes for highway construction.

The state debt differs from our county, municipal, and local debt in that the former levies no charge against the general property tax payer. Not one

cent of our present state debt is carried by a tax on property. More than half of the total state debt represents the sale of bonds and notes for the construction of highways. This debt is carried by the automobile owners of the state and of other states who use our roads. The license and gasoline taxes are more than sufficient to pay the interest and to provide for a sinking fund. Our highway system is self-supporting.

The remainder of the state debt, which at present amounts to about 36 million dollars, must be carried by those who pay taxes into the state treasury. North Carolina is one of three states that levy no property tax for state purposes, or so in 1922. Carrying the bonded debt of the state is a part of the cost of operating the state government. The cost is borne, not by taxes on property, but by income tax payers, inheritance, license, and corporation taxes, earnings of the state departments and so on. In other words the cost of operating the state government is borne by those who can afford it and by individuals and agencies receiving direct benefits from the state government, while the cost of local government is borne almost entirely by property taxes. Carrying the bonded debt is becoming a large part of the cost of government, state and local. It is important to understand upon whom, in each case, the cost falls.

In conclusion it seems to us that the following are the important facts concerning our bonded debt:

(1) The real debt of North Carolina is the debt, not of the state government alone, but of the state and all of its subdivisions, county, municipal, and local. In 1922 the total debt amounted to \$182,711,045, or \$69.03 per inhabitant, and on this basis our rank was 27th in the United States.

(2) The debt falls into two classes, state and local. The local debt is voted locally, the money spent locally, and the cost defrayed by local property tax payers.

(3) The state debt is voted by the Legislature. The money has been spent for two purposes mainly, roads and institutional enlargement. The road debt is more than half the total debt and it is carried exclusively by the automobile owners. The cost of carrying the institutional enlargement debt falls on income tax payers, corporations and the like. The property tax payer is not affected by the state debt. Rather he is a recipient of state support, in the form of the State Equalization Fund, for instance.

(4) The state debt is increasing very rapidly because of our stupendous program of road construction and institutional enlargement. The counties have been practically relieved of the necessity of incurring debt for road construction. Thus the burden on the property tax payer has been lightened.

(5) In 1922 the entire bonded debt of our state, her one hundred counties, her nearly six hundred towns, and her innumerable local tax districts was only slightly more than the property actually on the tax books in Forsyth county. The real wealth of either Forsyth, Mecklenburg, or Guilford would almost be adequate security for the present net debt of our state and all its subdivisions.—S. H. H., Jr.

BONDED DEBT PER INHABITANT IN 1922

State, County, City, Town, and Local District

Based on recent Census Bureau sheets showing the net indebtedness per inhabitant of each state and all its subdivisions—county, city, town, and special districts. Sinking fund assets are credited against the total indebtedness.

The total net debt for the state of North Carolina and all subdivisions of the state was \$182,711,045. It amounted to \$69.03 per inhabitant and on this basis twenty-five states ranked ahead of ours. Due to our state expenditures for roads and buildings our state debt materially increased during 1923. The counties have been practically relieved of road construction, consequently our county debt has not materially increased. Our rank in total indebtedness per inhabitant, state, county, urban and local, has not materially changed since 1922 as there have been large bond issues in practically every state.

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Rank	State	Net Debt Per Inhab.	Rank	State	Net Debt Per Inhab.
1	Oregon	\$168.35	25	Louisiana	\$69.18
2	New York	158.15	26	Kansas	69.16
3	California	142.52	27	North Carolina	69.03
4	Idaho	135.15	28	New Mexico	67.86
5	Arizona	124.61	29	Mississippi	62.27
6	Washington	120.21	30	Iowa	62.23
7	New Jersey	116.34	31	Oklahoma	61.75
8	Ohio	112.40	32	Pennsylvania	61.27
9	Montana	110.20	33	North Dakota	60.89
10	Minnesota	109.99	34	Tennessee	60.00
11	Utah	106.85	35	Maine	54.90
12	Colorado	102.24	36	Illinois	54.66
13	Nevada	101.56	37	Indiana	51.23
14	Delaware	98.34	38	Arkansas	51.03
15	Florida	95.94	39	Virginia	50.90
16	Michigan	94.09	40	West Virginia	46.58
17	Wyoming	93.02	41	Wisconsin	38.81
18	Massachusetts	82.11	42	South Carolina	38.22
19	Maryland	81.43	43	New Hampshire	37.24
20	Rhode Island	80.43	44	Missouri	34.46
21	South Dakota	78.09	45	Vermont	34.03
22	Nebraska	73.98	46	Alabama	31.31
23	Texas	73.72	47	Georgia	21.57
24	Connecticut	70.33	48	Kentucky	20.60