

THE TAXATION AMENDMENT

By Prof. Charles Lee Raper, Professor of Economics in the University of North Carolina.

I am glad to make a statement of my views upon the taxation amendment. While I have no desire for public office, I am deeply interested in good government, and I am always ready to render any service within my power toward making the government of my state or locality more effective. The act of assessing property for taxation purposes and of levying rates upon it is so fundamental to the life of the state and of the tax payer, that I cannot let pass an opportunity to aid in making it more just and efficient.

I do not believe that it is any longer necessary to argue that our present system of assessment and taxation is as good as it might be, on every hand we hear convincing statements to the effect that this system has conspicuous defects. Many of us have time and again seen that this system has at least two notable defects: (1.) a large amount of property escapes assessment and taxation and thereby fails to bear its due share of the burden of government; (2) the inequality of the present assessment of the valuation of property is remarkably great, and consequently one citizen pays a larger amount and another a smaller amount than he should.

It Appeals to All

To remedy such a situation—to reform our assessment and taxation—should, therefore, appeal to all of us. At our better moments we wish for an effective government and we are ready to pay to it the necessary revenue; and our higher ideals of life and citizenship cause us to wish and to labor for maximum justice in this government as between different citizens. It is, I am convinced, largely due to our old system rather than to our better ideals that we have so much injustice and ineffectiveness in our present government as it assesses values for taxation purposes and as it levies rates upon them.

We need an important change in our present system—this change we must all accept as correct. To make it possible for our Legislature to make this necessary change, the last session submitted to the voters an important amendment to the section of our Constitution which treats of taxes. The amendment would in many respects radically change the power of the Legislature in matters of assessment and taxation. Is it a reasonable sound proposition? This is the question that we should all ask ourselves and answer in our minds and hearts. I for one have given the proposition my best thought for a good many months, and I am ready to accept it to vote for it and to urge others to vote for it. I do not think it quite a perfect proposition, but I feel certain that it contains a sufficient amount of good to make it worth our while to have it.

Poll Tax

Some of us think that the proposal should not make obligatory a tax on the poll. We believe that a uniform tax on the poll no longer represents the citizen's ability to pay tax—the really correct principle of taxation—or the benefits which he derives from the government to which he pays the tax. Such a tax can only be, just when all the citizens are equal in their ability to pay taxes, and such equality most certainly no longer exists in North Carolina. If indeed it has ever existed. Some of us desire that our States shall do as many democratic state have done—abolish the compulsory poll tax. To those of us who have such convictions, the proposed amendment does not go far enough. But the amendment, while it does not go as far as some of us would wish, does propose to improve the present constitution so far as it deals with the poll tax. It abolishes the poll tax as the standard tax for the state and county purposes, and it abolishes its compulsory relation with the tax on property. A Constitutional requirement which has many a time placed an obstacle in the way of effective taxation. The amendment would also place an absolute limit of \$2 for all state and county purposes, and the city or town may levy such a rate on the poll, or any rate only upon authorization from the Legislature. The present poll may be \$2 for the ordinary state and county purposes, more for extraordinary purposes. It ranged in 1911 from \$1.50 in Martin county to \$3.50 in Davie county; the municipal poll tax from 15 cents in Lenoire to \$4.65 in Asheville.

Limit to Rate on Property.

Some of us also believe that the Constitution should not place a limit of rate on property, either for state, county or municipal purposes. We think that the legislature should fix a rate according to its best judgment, as is done in such progressive states as Wisconsin and New York. The proposed amendment still contains a Constitutional limit upon such a rate so far as the Legislature may fix it. This may, however, be exceeded whenever a majority of those who vote upon the specific proposition to exceed it say so.

Classification and Segregation.

The two radical propositions as contained in the proposed amendment are those for the classification of taxables and rates and for the segregation of the sources of revenue for the state and its local units of government. Each is for the most part fundamentally radical for North Carolina. Classification of taxables we have long had in the form of business license taxes. Our Legislature has had the Constitutional power to make different classes of these and to levy different rates upon them; and it has put this power into practice. Why should our Legislature have such a power when it taxes property? Why should it not have the right to make different classes of business with different rates?

right to separate the sources of revenue for the state and its local units, the Legislature has possessed only to a slight degree; it has had the right to reserve for the use of the state certain privilege taxes. The taxes on property are now used by all the units of government—the state, the county, the municipality, etc. Shall the Legislature not have the right to separate these sources for the different units of administration?

Separation

Will these two proposals make our system of assessment and taxation more effective and just? The right of the Legislature to make classes of taxables and rates will, I am convinced, have much to do toward reforming our present system of taxation. The separation of the sources of revenue for the state and its local units is, however, in the minds of many citizens the more interesting of the two real estate and personal property are left to the locality to tax, they will be assessed with greater fairness. They think that the state treasury can procure its necessary revenue from taxes on corporations, inheritances, etc., and thereby leave all the real and personal property to the local government. Would such a legislative power be of great assistance in tax reform in North Carolina? I am in favor of the separation of the sources of revenue whenever the industrial conditions of a state make it practicable, though I cannot think of it as the most important thing in taxation reform. Such a plan has been in operation in a few of our states but it should be held in mind that they are much more largely industrial states than North Carolina now is or probably will be in the next few years. Connecticut, New York, New Jersey and Delaware have at times obtained all their state revenue from certain sources and have left the real and personal property to the local units of government. Pennsylvania and California have also had in operation such a plan, at least in a partial way. In these states separation has worked reasonably well though some people think that it has led to extravagance on the part of the Legislature. Since it has not levied rates upon the property of the majority of the voters, only upon corporations, etc., the tendency has been for the Legislature to be more extravagant in its expenditures.

The largest objection is, however, in the actual conditions of economic life. Separation may work fairly well in one state; it may not in another with different conditions of industry. In New Jersey 92 per cent. of the state revenue may at times be procured from taxes on corporations, and in California as much as 76 per cent. without placing a great handicap upon industries. Could North Carolina obtain as much as 45 per cent of her state revenue from such a source? As I understand the conditions now prevailing in our state, it would be unwise for the Legislature to establish a complete separation of state and local revenue. Still I believe it would be well for the Legislature to possess the right to provide for separation, partial or complete, whenever the conditions make it practicable. I cannot think that the Legislature would use such a right until the conditions make its operation effective.

Classification.

The great gain offered by the proposed amendment is, in my judgment, in the classification of taxables and rates. Such a power can at once be put into operation. The conditions as they now exist in North Carolina make it entirely practicable, and I think highly desirable. As I have said, we have two great defects in our present system—the failure to assess much property, and the inequality of valuation of that which is placed upon the assessor's books. The provision by the Legislature of skilled machinery of assessment would do much toward the elimination of these defects. The classification of taxables and rates would also make important reform in our present system possible. A uniform rate of tax upon all kinds of property, irrespective of their use and of their tangibility to the assessor, has everywhere among advanced people proven a failure. The family cook stove, a street railway car and a savings bank deposit are most certainly of unequal importance in the life of a community, and they are not equally taxable. To levy the same rate of tax upon each of these at a "fair cash value" is unjust and undemocratic, as well as ineffective of revenue. Efficiency and justice in taxation have caused the abandonment of such a uniform rate upon all classes of property; the more democratic nations have already given up such a rate. Why should not North Carolina?

Taxation of Moneys, Credits and Securities

A uniform rate on all forms of property has been notably a failure in the case of moneys, credits, and securities. Such a rate has for the most part reached only the more tangible forms of property, and has failed to bring out the less tangible. Machinery and land, for instance, are usually put upon the assessor's books at some value, while moneys, etc., largely escape assessment at any valuation. It is only when the less tangible forms are taxed at a specially low rate that they come from their hiding. The present rate of tax in a number of towns ranges from 1 1/2 to 2 1/2 per cent. The real property and the more tangible forms of personal property are usually assessed for such a rate as value, while moneys, credits, and securities, if assessed at all, are generally at cash value. Such a uniform rate takes for the government from one-third to one-half of the income of the moneys, etc., that are assessed, while it takes a

much smaller part of the income of land and other tangible forms. The natural consequence is that these less tangible forms of property do not go on the books. The state of Kentucky received more revenue for the year 1912 from its dogs than it did from the moneys, stocks and bonds of the state. And the Kentucky experience is not unusual.

More effective machinery of assessment and more drastic laws of assessment would do something toward bringing out these intangible forms, but the experience of Ohio with very drastic laws and machinery prove that something more is necessary. Pennsylvania and Maryland have for a good many years had a remarkable success in taxing moneys, credits and securities by means of special classification of them and on a small rate upon them, while those states with the same rate upon them as upon land, etc., has been highly discouraging. Minnesota has for a few years had an equally notable success with special classification and rate as have Pennsylvania and Maryland. Let me give the results of the Pennsylvania plan. For 26 years the amount of this kind of intangible property placed upon the assessor's books and taxed at the special rate of 40 cents on the hundred dollars has increased more rapidly than the real estate, while in many states, where the uniform rate upon all property is required by the Constitution, the amount of the intangible property upon the tax books has decreased until it has almost reached the zero point. Pennsylvania now taxes nearly two billion dollars of intangible property; in many states the total is only a few thousand.

Let me also give the Minnesota experience.

In 1911 a special tax of 30 cents on the one hundred dollars was levied upon moneys and credits other than mortgages. The Minnesota Tax Commission makes this comment: "Realizing the difficulty of reaching this class of property for purposes of taxation under the prevailing system, the Legislature, in 1911, passed a law imposing a flat rate of three mills on the dollar (30 cents on the one hundred) on such property. It was felt that a low uniform rate of taxation would result in placing a large amount of this class of property on the tax rolls that had heretofore escaped taxation. It was contended that the average man desired to be honest and that a low rate would permit him to make a truthful return of property of this character that he might own without the fear of having most of its income confiscated for taxes."

The results of the first year under the new law have fully justified these conclusions. The assessed value of this class of property returned for taxation in 1910, under the old law, amounted to less than \$14,000,000, while in 1911 the amount listed for taxation under the new law exceeds \$115,000,000, an increase of nearly 850 per cent in one year. In 1910 the assessed value of this class of property represented only 4.2 per cent of the bank deposits of the state, while the assessment of 1911 amounts to 33.8 per cent of such deposits.

"Notwithstanding the low rate the total tax derived from this class of property in 1911 was but slightly less than in 1914, 67 of 86 counties of the state showing an actual increase, while 52 of the 64 cities and villages of the state having a population of 2,000 and over made substantial gains in revenue over 1910. Not only is the increase a very gratifying one, but the returns show conclusively that the tax is much more equitably distributed among the people than it was under the old law."

May North Carolina not achieve a similar result when her Legislature possesses the Constitutional right to make a special class of moneys, credits and securities?

WHEAT CROP IS WORTH ONE BILLION DOLLARS

Other Crops Show Splendid Yields. Promising Good Times in United States.

Favorable weather in September and October has made the crops even better than was expected earlier in the season. Because good crops always promote national prosperity, the news is received with rejoicing.

This year there should be an unusual demand from abroad. The crops in Europe have been only half harvested, and the demand for bread is great.

Our wheat crop alone is worth nearly a billion dollars. The quantity is now estimated by the Department of Agriculture at 892,000,000 bushels. That is 128,620,000 bushels better than the best previous record.

Corn improved in September. On October 1, the yield was estimated at 2,676,000,000 bushels, of fine quality. This is only an average crop, but it is better than last year.

Oats are yielding 1,137,000,000 bushels, an increase of 21,000,000 over last year.

Of barley, 197,000,000 bushels have been raised this year, or 19,000,000 more than in 1913.

Tobacco yields 934,000,000 pounds, which is 92,000,000 more than last year.

With the high prices now prevailing, and a heavy demand from abroad, these and other 1914 American crops should add thousands of millions of dollars to our national wealth. This should help us to resist Europe's eager demands for American gold.

RHEUMATISM PAINS STOPPED

The first application of Sloan's Liniment goes right to the painful part—it penetrates without rubbing—it stops the Rheumatic Pains around the joints and gives relief and comfort. Don't suffer! Get a bottle today! It is a family medicine for all neuritis, harts, bruises, cuts sore throat, pain, and chest pains. Prevents infection. Mr. Chas. H. Wentworth, California, writes:—"It did wonders for my Rheumatism, paid in gold as soon as I apply it. I recommend it to all my friends. It is the best Liniment I ever used." Guaranteed. 25c. at your Druggist.

HISTORY OF OUR CONSTITUTION

By Bruce Craven.

"The Legislature has found it difficult to meet the financial demands of a progressive state by reason of the limitations placed upon the power to tax by the Constitution of 1868. The Constitution was not acceptable to the conservative element or the white men of the state. It was, however, at an election held under military orders, April 24, 1868, ratified by a vote of 93,118 to 74,009. Of the former a very large number were negroes. The vote against ratification was entirely by the whites and would have been larger but for the disfranchisement of a large number of them."

These words come from the judicial mind of Henry George Connor, in his book on the Constitution of North Carolina. The author after years of able service as a member of our own Supreme Court, is now Federal Judge in the Eastern District of the State. It is a peculiar coincidence that his son was speaker of the House which presented the ten amendments now before the people and he himself was Speaker when the Suffrage Amendment was submitted in 1899. I remember well his closing argument in behalf of that amendment. The closing argument for the opposition had been made by a negro, so he was not merely closing an argument but also an era in politics. He argued that the organic law is serious and important, and that two things are necessary to an understanding of an amendment to it. One is to understand the amendment and the other is to understand the thing amended.

In the light of this statement I am here submitting some facts in the History of our Constitution. Anyone may easily read and understand the amendments themselves. The difficulty is to get the right idea of the thing we are amending and the consequence. I shall not here attempt to argue the question, but let the facts of history speak for themselves in throwing light on the present and the future. There are many various and conflicting theories of the meaning of constitutions. There are some who leave the earth and go into chaos on the idea that the Constitution is something like the Ark of God and that whoever dares to lay hand upon it, deserves the fate that befell Uzzah, the son of Abinadab, some honestly are laboring under the delusion that the people who achieved independence in the Revolution made it and that as we have lived under it ever since, we ought to let it alone. Napoleon Bonaparte said: "A constitution should be short and obscure." A political boss in New York said some years ago: "Give the people what they want but make it unconstitutional." Thomas Jefferson said that constitution cannot mean more than law because the people cannot create anything greater than themselves. Woodrow Wilson says that the men who utter the most fervid praise of the Constitution "are the ones who get behind it to play hide and seek with the people whom they profess to serve." From among these views you may judge which is correct, but to do so, it is essential that we know the facts with regard to the Constitution and its making.

First State Constitution.

There have never been but two Constitutions in North Carolina since it has been a free state, and there have been but two real Constitutional conventions and the second of these was not authorized by the people.

The first Constitution of 1776, was a necessity, and it took the position that a Constitution should declare the form and general principles of free government and leave the methods and details to the people and the Legislature. It was brief and entirely different in form and substance from our present Constitution. It contained the Bill of Rights practically as we have it now, and of course, contained some errors that the course of time changed. One of these was that it provided no method by which it could be amended by the people. The fact that the people did amend it in 1835, seems to establish the teaching of Jefferson that the Constitution can not be stronger than the creators of it.

It prescribed property qualifications for voting and holding office and that no person could hold office except Protestants. Says Ash in his History of North Carolina: "This was established a representative republic far removed from the pure and simple democracy which some have said that Willie Jones advocated." On account of the defects in this Constitution above mentioned, and also the basis of appointing members of the General Assembly, there was constant trouble. The State capitol was destroyed by fire in 1831, and there was a movement started to remove the capitol to Fayetteville. This resulted in the calling of a convention to amend the Constitution, but no power was given this convention to make a new Constitution. This convention assembled in Raleigh June 4, 1835. All the above-mentioned items were corrected and also the election of the governor was thereafter by the people. The property qualifications however, were retained, free negroes were prohibited from voting, and the word "Protestant" was changed to "Christian," thus taking down the restriction as to Catholics but retaining it as to Jews. The amendments were submitted to a vote of the people and were all approved. In 1857, the people ratified an amendment by the Legislature removing the property restriction on voters if they "have paid public taxes," but the property qualification for holding office remained. No further amendments were ever made in this "Constitution of the Fathers." The convention in reward to secession made no changes in it and we went through the war with it.

The Canby Constitution.

Under orders from President Johnson and Provisional Governor Holden, a convention was ordered in 1865, to be chosen by that portion of said

State who are loyal to the United States, and no others." This convention repealed the ordinance of secession and abolished slavery and these ordinances were approved by the "loyal." The convention further submitted a new Constitution to the people, but as it was rejected, there is no need to consider it. Jonathan Worth had been elected Governor and the real people of the state were ready to resume government, when the deluge of Reconstruction Destruction came.

North Carolina and South Carolina, by order of President Johnson, were abolished and a Military District was formed with Major General Canby as the dictator with headquarters in Raleigh for an election for delegates Charles Canby, of Charleston, issued General Order for one year, there for a Constitutional Convention, in Raleigh for three days, and the returns were sent to General Canby in Charleston to be counted. No one has that part of the district which had been North Carolina. The election ever known anything about the result of the vote nor whether it was counted at all, and the same is true of the vote later on the Constitution itself. The dictator announced the list of delegates, and they assembled in Raleigh on January 14, 1868.

Justice Connor says: "This convention was composed very largely of men who were out of sympathy with those who had controlled the state during its history. Several of the most influential men were Northern men, coming into the state with the army, or immediately after the close of the war, whose views and sympathies were hostile to the white people, and the remainder natives of the state, some of them men of character and ability." Because of the few real North Carolinians in the convention, it has been argued that the people made the Constitution, but it would be just as logical to argue that the negroes in the Legislature of 1899 made the suffrage amendment which disfranchised them. The North Carolinians in this convention had such ability that they could prevent certain abuses, but they did not have enough to keep the new Constitution from referring to the war as "The Rebellion."

This convention, ordered and assembled without constitutional or legal authority, made a new Constitution, and made it on an entirely different plan, from that of the Constitution of 1776. In this new Constitution were included details of government that have ever been the source of embarrassment and trouble in legislation. It for the first time abolished all property qualifications for voting and for holding office and also the religious test except in so far as it disbars anyone who denies the Being of Almighty God. Both of these changes were of course right in principle, but they were made at that time for the benefit of the indigent and superstitious negroes then composing the body of the voters and on whose suffrage the carpet baggers depended to fill their carpet bags. The opinion of Judge Connor regarding this Constitution is given at the opening of this contribution. Previous to this Canby military Constitution there had been almost no discussion of the unconstitutionality of legislation. Since 1868, this scare-crow has been faced every time any legislation was needed for the people or for the state. This Constitution, called without authority by a military dictator, was ratified by the illiterate negroes over the protest of the few white people allowed to vote, and it has been a dead weight on good government ever since, and yet in the year 1914 even has referred to it as "Our Sacred Constitution." A convention of the people was held in 1876 to remedy certain parts of it, but outside of that they could not go, and as the negroes then were in the majority in the state, nothing very much could be done in the more serious complications.

Taxation and Revenue.

Before 1868, there had been no restrictions on the Legislature with regard to taxation. Responsible as they were directly to the people, there was no reason to hamper them in doing whatever might be necessary for the State government. Since 1868, every Legislature has faced this Constitutional barrier that requires them to tax everything alike "according to its true value in money." The result has shown that the people are stronger than anything they can make. Property in North Carolina is not taxed according to "its true value in money." The requirement has been found to be absolutely impossible and so all of us have been thereby forced into the position of "tax dodgers," and the result naturally going farther than is necessary, we have reached the point where the tax dodging makes impossible enough revenue to support the state government.

Do you believe in the present Constitutional requirement about taxation? If so, why don't you abide by it? Show me a man who lists his property at "its true value in money" and I will show you the man who might consistently vote against the taxation amendment now before the people. Do you hold that as we have gotten along with it forty-six years, we can continue to do so? If so, you need to look at the facts, which are that we have never gotten along with it at all, we have always dodged it, and the dodging has now gotten into a corner where we must stand and fight "the sacred principle" ordered by General Canby, of Charleston, and approved by the negroes over the protest of the white people.

The other amendments to the Constitution this year can be measured by the same standards of comparison with what we have had. The Constitutional Commission of 1913 was in response to a demand from the people and from the necessities of competent and economical state government, and it was composed of

North Carolina white men with no political or ulterior motives back of their acts. These ten amendments now before us were later approved by two-thirds of each House in the General Assembly, after careful scrutiny and discussion. Not one of them is revolutionary, but they are merely what is necessary, and no more.

The taxation amendment makes no change in our taxation system. It simply blots out the work of 1868 and leaves our taxation system as our "Fathers" made it, and which was always satisfactory.

The new amendment does not make possible any increase in the tax rate, because the limitation remains at 66 2-3 cents on the \$100 for state and county purposes. To sum up the whole matter, it simply makes it possible for the people and the Legislature to make a revenue system to suit themselves, and to place the burden of taxation where it belongs according to all the authorities "upon those who have the most privilege." If the change is not made, the only other recourse is to raise the assessments of the poor people who have the least privilege. Every average man who votes against the amendment, votes to raise the tax on what little he has.

Conclusion.

There always have been and perhaps until the millennium will be differences of opinion as to Government and Constitution and Citizenship. There are a few things, however, that are clear. One is that public office ought to be a public trust. I don't mean by this that men should expect to be called to public office. A man who has in him the mettle to do his duty in office, will show his mettle by making a fight for office.

Every man being is every human being is born with an inherent desire to make things, to shape and mold, and remake and reform; hence it is natural to man to want to reform public affairs. If he is worthy of trust, he will be sincere in his purpose to really do something. A man who is not interested by the dirt on his neighbor's doorstep, will never clean his own doorstep. If he wants office, merely to hold office, he is unfit for it. If he is truly Democratic, his purpose will be to spread the benefits and power of government until they are borne equally by all people. To make this possible and wise, the one foremost need is public education and by this is meant the promotion of the free public schools for all the people, for in no other way can the people be prepared for the duties that are rightfully theirs. If the Constitution or a political party stands in the way of these things, then they are not in the interests of the people, and have no right to existence; and, likewise government has no right to exist unless the purpose of it is to help those who most need help. The accomplishment of a pure democracy may be far in the future, but the desire for it among the people is already here, and the chasm that intervenes can be covered by opportunity and education. A government of the People, by the People, and for the People, will some day be established on this earth.

Children Cry FOR FLETCHER'S CASTORIA

POLICY OF "FREE SHIPS" RESTORING FLAG TO SEA

Fifty-six Vessels Have Hoisted Stars and Stripes Since September 8—As Neutrals They are Safe From Capture.

Our Government's new policy of "free ships" is making a good beginning toward restoring our flag to the high seas.

It was on September 8 that the new measure became a law. Ships that are owned by Americans are now allowed to fly the American flag even if those ships were built abroad.

Under this law, since September 8, 56 American owned vessels have registered the American flag. The total tonnage is 217,201, and the total value is between \$12,000,000 and \$15,000,000.

The old law was passed in Civil War times. Under its operation our flag almost disappeared from the high seas, except as it was displayed on our naval vessels.

HEAVY MEAT EATERS HAVE SLOW KIDNEYS

Eat less meat if you feel Backache or have bladder trouble—Takes glass of Salta.

No man or woman who eats meat regularly can make a mistake by flushing the kidneys occasionally, says a well-known authority. Meat forms uric acid which excites the kidneys, they become overworked from the strain, get sluggish and fail to filter the waste and poisons from the blood, then we get sick. Nearly all rheumatism, headaches, liver trouble, nervousness, dizziness, sleeplessness and urinary disorders come from sluggish kidneys.

The moment you feel dull ache in the kidneys or your back hurts or if the urine is cloudy, offensive, full of sediment, irregular of passage or attended by a sensation of scalding, stop eating meat and get about four ounces of Jad Salta from any pharmacy; take a tablespoonful in a glass of water before breakfast and in a few days your kidneys will set fine. This famous salt is made from the acid of grapes and lemon juice, combined with lithia, and has been used for generations to flush and stimulate the kidneys, also to neutralize the acids in urine so it no longer causes irritation, thus ending bladder weakness.

Jad Salta is inexpensive and cannot injure; makes a delightful effervescent lithia-water drink which everyone should take now and then to keep the kidneys clean and active and the blood pure, thereby avoiding serious kidney complications.