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PROGRAM FOR TAX STUDY CLUBS

XII. FEDERAL TAXATION

A. Outline

- Constitutional Limitations:
No duties may be levied on exports.
Excises and import duties must be uniform throughout U. S.
Direct taxes, except income taxes, must be apportioned among the states on the basis of population. Not levied except in emergencies.
- Kinds of Taxes used by the Federal Government:
 - Excises, or internal revenue duties, on tobacco, playing cards, oleomargarine, drugs, chewing gum, cameras, automobiles, etc.
 - Customs duties (tariff).
Specific.
Ad valorem.
 - Corporation Tax.
 - Inheritance Tax: (estate tax)
A graduated, or progressive, tax.
 - Income Tax:
Normal rate — First \$4,000 above exemption 2 percent, next \$4,000 4 percent, balance 6 percent.
Surtax rates—Graduated from 1 percent to 25 percent.

For example:

Income above exemption	Normal Tax	Surtax	Total
\$ 6,000	\$ 160	none	\$ 160
20,000	960	\$1,600	2,560
50,000	2,760	5,000	7,760

- Stamp Taxes:
Placed on bonds, stocks, deeds, mortgages, insurance policies, letters, cablegrams, steamship tickets, etc.
- Occupational Taxes:
Brokers, proprietors of bowling allies, distillers, etc.
- Special Tax on Use of Boats.
- Sales Taxes (so-called luxury taxes). Levied only in emergencies. Paid by purchaser of jewelry, fountain pens, ice-cream, cosmetics, furs, etc.
- Admission Tax:
Paid by patrons of theatres, ball games, etc., if admission exceeds a certain figure.

B. Explanation

The power conferred upon Congress to levy and collect its own revenues is almost absolute, except (1) that no duties may be levied upon exports; (2) that excises and import duties must be uniform throughout the United States; and (3) that direct taxes except income taxes, if levied, must be apportioned among the states on the basis of population.

The spread of governmental activity, the various forms of federal aid, and the tremendous cost of the World War lifted national annual expenditures to the unprecedented total of around four billion dollars. Even now, seven years after the close of the war, they amount to well over three billion dollars a year.

President Coolidge recently said: "In my opinion the government can do more to remedy the economic ills of the people by a system of rigid economy in public expenditure than can be accomplished through any other action. The national taxes still amount to about \$27 for each one of our inhabitants and the costs of our national and local governments combined now stand at a sum close to \$100 for each inhabitant."

The People Pay

Even though federal taxes average \$135 per family there is less complaint about them than there is about state and local taxes. This is probably because much of the federal tax is collected indirectly and the people do not realize that they are paying it. There is one fact that should be kept in mind, however. All taxes, federal, state and local, come from the same source; they are paid out of the collective income of the American people, and economy at Washington or at the State Capital ultimately benefits the remotest taxpayer. If the federal and state governments skim the cream off the national income, the local governments will have to be content with "skim milk".

It is, therefore, just as important for the individual taxpayer to analyze the appropriations of Congress as to analyze those of the local school board. The

cost of one battleship would build 200 splendid high-school buildings or 1200 miles of hard-surfaced road. And it is well to remember that whichever way the money is spent, the same people ultimately pay. It follows, therefore, that tax reduction is dependent upon the maintenance of peace, not an armed peace, but a relation of mutual good will and cooperation among the nations. No one can consistently urge tax reform, who does not at the same time work for the outlawing of war, and the establishment of a reign of law and justice in international relations.

There is a difference of opinion as to the advantage and real value of federal aid in highway construction, education, agricultural improvement, and so forth. Governor Ritchie of Maryland says: "The federal government can scarcely be said to 'aid' the states, when all it does is take money from the people of the states and then give it back to them again. Most certainly the federal government does not 'aid' the states, when what it actually does is to give back only part of what it collects from them, and keep the rest to pay the cost of expensive bureaus maintained for the purpose of giving it back." On the other hand President Harding said: "The federal government should extend aid to the states for the promotion of physical education, the Americanization of the foreign-born, the eradication of illiteracy, the better training of teachers, and for promoting free educational opportunities for all the children of all the people."

C. Questions

Are the expanding activities of government a genuine measure of the progress of civilization?

If the functions of government did not expand would private initiative undertake to do the things we want done?

When viewed as the collective agency for waging war on the five deadly enemies of mankind—ignorance, poverty, disease, waste, and inhumanity—is government worth all it costs?

Is not much of the so-called federal aid in reality financial assistance extended by the richer to the poorer states?

If federal aid encroaches upon state rights why do the states accept it?

Does federal aid stimulate the states to undertake new functions?

Are centralization and democracy contradictory principles of government?

Are people more interested in efficient government than in autonomy?

Should federal taxes be reduced by abandoning the policy of federal aid?

Should both the federal and state governments levy an income tax?

Should both the federal and state governments levy an inheritance tax?

Is a protective tariff a tax? Does it yield any revenue? Does it cost the people anything?

Should first-class postage be reduced to one cent?

Would there be any justification for operating the postal service at a loss?

What proportion of the federal revenue goes for the support of the army and navy?

If society could dispense with war would the other costs of government be so light as to encourage a more rapid extension of governmental functions?

Would the government be justified in transferring the amounts saved to the support of education?

D. Sources of Information

American Government, Frank A. Magruder, Allyn and Bacon, New York, 1918.

University of Iowa Extension Bulletin Number 124, May 16, 1925.

Statements of United States Treasury Department, especially the annual report of the Bureau of Internal Revenue.—Paul W. Wager.

JUDGE WINSTON'S PLEA

Judge Winston's plea was for an educational policy which would make for peace and stability and not for confusion. He charged inefficiency and confusion in the courts and enlarged upon "the spectacle of all the Supreme and Superior Court judges and twenty of the best lawyers in the state trying their best to devise some scheme to make the courts function."

A TAX POLICY

We would lay this down as a policy prerequisite to further extending the school equalization aid the state now extends to maintain a six months' school term in all counties of the state, namely—(1) the listing of all taxable wealth in North Carolina at a uniform percent of its true value, and (2) a minimum assessment for school maintenance purposes on such property before any equalization fund is distributed. Educational opportunities are far from equal among the Counties of the state, but so is local willingness to support schools, or to list property for taxation.

He pleaded for an educational policy that would make people law-abiding and one that would be evidenced in the citizenship of the state. "We spend millions for schools," he said, "and brutal murders are on the increase. We build stately educational mansions and the lawless erect stills hard by. We have more church members than any state in the Union in proportion to population, yet we find few of them strongly behind the law and demanding its enforcement. We have mansions and palaces, but few homes. A family of half a dozen seated around the fire-side in a home, enjoying the delights of parental association and the joys of filial devotion would be a film of such a novelty that it would supplant Charlie Chaplin's walk.

"A ton of books can not make citizens for North Carolina. Our educational system is top-heavy. Individualism has given way to mass play. A school system suited to the mountaineer on Mount Pisgah is not suited to the banker on the sands of Hatteras."—News and Observer.

OUR RURAL SCHOOLS

Below we are presenting two tables, the first one showing the rank of the one hundred counties of the state in rural school systems, and the second showing the rank of the school systems in the twenty-four largest city schools of the state. The counties and cities are ranked according to a general index figure arrived at by averaging the rank of the counties and cities in ten important school concerns,—five academic and five financial. The academic factors are: (1) percent enrollment in average daily attendance, (2) average length of term, (3) scholarship of teachers, (4) percent of enrollment in high school, and (5) the percent of children of normal age and under age for the grade in school. The financial factors are: (1) average annual salary of teachers, (2) cost of instruction per student enrolled, (3) total cost for current expenses per child enrolled, (4) total current expense per teacher and principal, and (5) value of school property per child enrolled.

New Hanover First

The rural schools of New Hanover county rank first in the state with an index score of 75.7, followed closely by Pamlico and Currituck, relatively poor tidewater counties. The high standing of the rural schools of New Hanover is due to the fact that every dollar of taxable wealth in the county, the bulk of which is in Wilmington, goes to support every school in the county on an equal basis. It is worthy of notice that the tidewater counties as a group rank well up in rural school systems, far higher than would be expected, their wealth, sparse population, and population ratios considered. They are to be congratulated for the high rating they have attained, ranking side by side and often far ahead of the wealthier and more populous counties of the state.

Surry county ranks last in rural schools, her general index being only 36.3, or less than half the index of New Hanover. The bulk of the mountain and a large number of the central and western hill counties fall towards the end of the table. And it is into these counties that the bulk of the state school equalization fund is poured each year. Without the equalization fund the index for many of these counties would be far lower, unless of course they made the same heroic efforts made by several equally poor counties that rank well up in the table,—Dare for instance, or

Pamlico and Currituck. The reader would find it very interesting to study the table to see the way in which the counties are scrambled, poor counties at the top, fairly well-to-do counties near the end, and rich and poor side by side throughout the table.

Academic Factors

The school facilities of urban and rural children in the state are far from equal. And so it is for the rural children in the various counties of the state. For instance, in one county the rural schools operated 162 days, while in another the average term was only 118 days. In one county the scholarship index of rural teachers was 82, while in another county it was only 46.3. In one county 23 percent of the enrolled children are in high school, in another less than four percent. The academic index for the highest county is 82.8, for the lowest county it is only 48.6.

Financial Index

In New Hanover county the average

annual salary paid rural teachers is 2.4 times as much as in Mitchell county.

In New Hanover the cost of instruction per rural child enrolled is 3.3 times as much as in Surry county. In one county the average rural child has four times as much spent on him for all current expenses as the average per rural child in another county. And most significant of all, perhaps, is the fact that the investment in rural school property per child enrolled is more than twelve times as much in one county as it is in another!

The rural schools of North Carolina, and urban schools too, vary widely in rank, and the wide differences are due to two main factors: (1) differences in true wealth, and (2) differences in willingness to support schools. Variation in willingness is perhaps even greater than variation in wealth. Which means that rural schools in many counties could become greatly improved on local willingness alone, such willingness as is exhibited by a dozen or more tidewater counties, for instance.

RURAL EDUCATION IN NORTH CAROLINA

How the County School Systems Ranked in 1923-24

The following table, based on State School Facts, Vol. 1, No. 23, shows the rank of the one hundred counties of the state in rural school systems. The rank is on the basis of general index figures averaging the rank of each county in five academic and five financial factors.

New Hanover ranks first in rural schools, her general index being 75.7. Surry county ranks last, her index being only 36.3. In one-half of the counties of the state the index for the rural schools is below fifty. Nearly all of the tidewater counties rank in the first division, many of them very high, their wealth and population considered. The mountain counties rank last as a group. However, many rich and poor counties are found side by side.

The general index for North Carolina is 66.9. For the rural schools it is 50.1, and for the city schools it is 81.1. The index for the 24 largest cities is 83.6.

Rank	Counties	General Index	Rank	Counties	General Index
1	New Hanover	75.7	51	Dare	49.9
2	Pamlico	70.1	51	Pender	49.9
3	Currituck	69.4	53	Franklin	49.5
4	Durham	68.3	54	Polk	49.4
5	Wilson	66.2	55	Jackson	49.3
6	Northampton	65.2	56	Forsyth	49.2
7	Hyde	64.4	57	Columbus	49.0
8	Edgecombe	63.6	58	Chatham	47.8
9	Warren	63.2	59	Lee	47.2
10	Washington	61.8	59	Stanly	47.2
11	Cumberland	61.6	61	Swain	47.1
11	Guilford	61.6	62	Anson	47.0
13	Halifax	60.5	63	Alleghany	46.9
14	Nash	60.2	63	Union	46.9
15	Granville	60.1	65	Henderson	46.7
16	Scotland	60.0	66	Lenoir	46.5
17	Hertford	59.9	67	Cleveland	46.3
18	Craven	59.7	68	Davie	46.0
19	Vance	59.6	68	Iredell	46.0
20	Camden	59.4	68	Tyrrell	46.0
21	Pasquotank	59.2	71	Graham	45.4
22	Gaston	58.0	72	Beaufort	45.1
23	Montgomery	57.6	72	Davidson	45.1
24	Bertie	57.5	74	Lincoln	44.9
24	Mecklenburg	57.5	75	Cabarrus	44.6
26	Alamance	57.1	76	Onslow	44.5
27	Rockingham	56.6	76	Perquimans	44.5
28	Jones	56.3	78	Burke	44.3
28	Robeson	56.3	78	Caswell	44.3
30	Pitt	56.2	80	Caldwell	44.0
31	Buncombe	55.5	81	Harnett	43.9
32	Chowan	54.7	82	Sampson	43.8
33	Hoke	54.6	83	Person	43.7
34	Duplin	54.4	84	Johnston	43.4
35	Wake	54.2	85	Rutherford	42.6
36	Gates	53.9	85	Watauga	42.6
37	Bladen	53.8	87	Clay	42.4
38	Richmond	53.4	87	Randolph	42.4
39	Orange	52.6	87	Yancey	42.4
40	Transylvania	52.5	90	Macon	42.0
41	Carteret	52.1	91	Brunswick	41.6
42	McDowell	51.9	92	Haywood	41.3
43	Avery	51.4	93	Stokes	40.7
44	Catawba	51.0	94	Wilkes	40.4
44	Wayne	51.0	95	Ashe	40.2
46	Alexander	50.4	96	Yadkin	38.8
47	Moore	50.2	97	Madison	38.2
47	Martin	50.2	97	Mitchell	38.2
47	Rowan	50.2	99	Cherokee	37.1
50	Greene	50.0	100	Surry	36.3

The Twenty-four Largest City Systems

The following table shows the rank of the twenty-four largest city school systems in the state. The general index is arrived at in the same way as explained above for the rural schools:

Rank	Cities	General Index	Rank	Cities	General Index
1	Greensboro	91.9	13	Wilson	81.1
2	Durham	91.4	14	Statesville	80.6
3	Roanoke Rapids	90.9	15	Goldensboro	80.5
4	Winston-Salem	88.7	16	Burlington	79.4
5	Wilmington	86.9	17	Kinston	78.6
6	Raleigh	86.4	18	High Point	77.0
7	Hickory	86.2	19	Rocky Mount	76.9
8	Asheville	84.0	20	Concord	76.8
9	New Bern	83.9	21	Charlotte	76.0
10	Salisbury	82.9	22	Gastonia	75.0
11	Elizabeth City	82.2	23	Henderson	69.9
12	Fayetteville	81.5	24	Mooresville	69.8