

JOHNSON ANSWERS SCOTT'S ACCUSATIONS

Quoted below is a verbatim text of Mr. Charles M. Johnson's reply to various attacks that have been made upon him:

MY FELLOW DEMOCRATS:

For the past several weeks I have tried diligently to inform the people of North Carolina on my position on the issues of this campaign. I have charted a course for the future, based on sound reason and judgment and in the light of prevailing economic and national conditions. But I have tried just as diligently to stay away from ill-advised or hollow promises or charges.

I am still firmly convinced that the people of North Carolina are first interested in selecting the man best qualified for Governor rather than in what the candidates think of each other.

These I consider to be issues of paramount interest to our people in this campaign. Here are some of the things to which I am committed by platform declaration and by public utterances:

I am against increased taxes. I urge substantial salary increases for teachers and state employees, reduction of the teacher load, state aid to the counties to provide proper school buildings. I approve all of the medical care program, urge rural road improvement, greater aid for the State's dependent and aged citizens, I favor greater home rule for our municipalities and counties, propose increased services to farmers, and desire to see rural citizens represented on more major boards and state commissions and favor increased state contributions for library services.

During the course of the campaign I shall discuss additional subjects.

I have tried earnestly to conduct my campaign on a high plane. Thus far I have discussed issues, not personalities, and have said nothing that was in anywise critical of the capacities or characters of my opponents.

Tonight it is necessary for me to do what I had hoped to avoid.

Speaking in Nashville on the night of April 10, Mr. Kerr Scott made certain false accusations against my conduct of the office of State Treasurer. By unavoidable implication the language he then used, and has since repeated, reflects both upon my character and motives.

I assumed that these charges were made in ignorance rather than in malice, and that once Mr. Scott was in possession of the true facts he would realize the utter baselessness of his Nashville accusations and would refrain thenceforth from repeating them.

In a dignified and factual letter dated April 16 and addressed to one of Mr. Scott's supporters, in response to an inquiry, I presented the true facts.

I misjudged Mr. Scott's desperation. He continues to reiterate his Nashville accusations.

I am willing to pardon much to Mr. Scott in the way of indiscreet and even intemperate speech. I know from long observation his genius for reckless utterance. I still recall his savage attack on the motives of those who led the fight for the state hospital and medical care program, the merchants and civic clubs.

But there is a limit to what I am willing to overlook in Mr. Scott, and he has exceeded that limit.

Never before has any opponent, Democrat or Republican, charged me openly or even by insinuation with any personal, moral, or official delinquency.

In his Nashville speech, Mr. Scott charged that State Treasurer Charles M. Johnson—and I quote from his press release:

(Quote) "has been losing a million dollars a year to the taxpayers by neglecting to do what the legislature empowered him to do and in giving him authority to act, commanded him to do. (End Quote)".

Speaking in Warrenton on April 26, Mr. Scott went even further and declared that

(Quote) "Johnson has had the power since 1943 to recommend to the Governor and the Council of State that surplus money be put out at interest, but he did not act until he (Scott) brought the matter to the attention of the public this month. (End Quote)".

Mr. Scott also said in his Warrenton speech that he had invested surplus agriculture funds. He had been commissioner since 1937, but had never invested any of this money until 1945. If I were given to making false accusations, as he has done, I would just make that statement and leave it there. But I know the reason and will tell you. He just simply had no authority prior to 1945, and if he had lost any money he would have been liable. This is exactly the same thing that he now charges me with not doing.

Under the law, the Governor and State Treasurer, with the approval of the Council of State, may invest excess money in the General Fund in federal or state bonds or notes under certain conditions. Before they can recommend such investments the Governor and State Treasurer must be satisfied and I quote from the law—"There is cash in the General Fund of the State in excess of the amount required to meet the current needs and demands on the said fund of the State."

First, let me dispose once and for all of Mr. Scott's Warrenton charge that the Governor and the State Treasurer had not exercised the authority conferred upon them by the 1943 General Assembly until he prodded them with his Nashville accusations, and attempted to lead the people to believe that we had made no investments. The facts are:

On September 2, 1943, the Governor and the State Treasurer, with the approval of the Council of State, invested \$10,000,000.00 of the surplus money from the General Fund. And on February 2, 1944, through the same procedure invested five million dollars from the General Fund. And on June 27, 1944, was invested likewise the sum of ten million dollars of surplus money from the General Fund.

These investments were no state secrets but were announced in the newspapers of the State. They were reported to the General Assembly of 1945.

Remember: Mr. Scott was mathematically specific as to the amount of money that the State has been losing as a result of the failure of the Governor, the State Treasurer, and the Council of State, of which Kerr Scott had been a member since January 1, 1945, to invest surplus cash in the General Fund. He says that the State has been losing a million dollars a year.

Obviously, if the General Fund is to earn a million dollars a year in interest, it must have \$40,000,000.00 in surplus cash which can be invested; and this surplus cash must be invested in long-term federal bonds carrying the highest interest rate, to-wit 2½%.

At no time between June 27, 1944, when the General Fund investments were made, and March 1, 1948, did the General fund have \$40,000,000.00 in all funds—both surplus and current. Suppose I had, without legal authority speculated with the State's money and invested \$40,000,000.00 in 2½% government bonds a year ago. Today, these bonds would have been worth \$1,200,000 less than I paid for them. They would have earned \$1,000,000 in interest, but I would have been short in my account by \$200,000 and would have been criminally and civilly liable for that amount of money.

Mr. Scott's charge of a million-dollar loss annually in interest revenues falls of its own weight. The amazing part of it is that it was made by a man who was a member of the State Administration and who as a member of the Council of State had a responsibility to keep himself advised about state finances.

It was not until the March 15 income tax collections of this year that the General Fund had any excess money that could be invested.

The General Fund started this current fiscal year with about \$17,000,000 on deposit in the more than 800 banks of the State. (Tonight I shall use round figures for the convenience of my hearers.)

Was this too much money for the General Fund to have in cash deposits at

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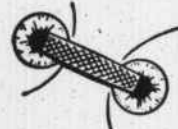
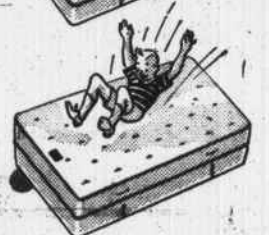
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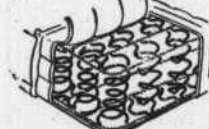
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the outset of a fiscal year? Bear in mind that this fiscal year the General Fund will spend approximately \$96,000,000, or about \$8,000,000 a month. On July 1, 1947, the General Fund had on hand just enough to finance the State's expenses for slightly more than two months, and by January 1, 1948, the General Fund cash had been reduced to \$12,700,000 or there had been disbursed \$4,600,000 more than the General Fund actually took in revenue. Furthermore, on January 1, 1948, commitments outstanding against the General Fund were in excess of \$52,000,000.

During March, income tax payments were made into the General Fund. Consequently, on April 1 the State had a sum in excess of its commitments for the next three months and invested \$15,000,000. Later, it may be advisable to make investments. If so, you may be assured the Governor, Treasurer and Council of State will act with the best in collective wisdom. Acting alone, the State Treasurer cannot invest a single dollar of the State's money anywhere.

There are other funds. The State Highway fund and the Permanent Improvement fund on March 31 totaled \$98,000,000. These funds cannot be invested; the law will not allow it.

Bear in mind, too, that whenever it was prudent and legal to invest state funds such investments have been made. I refer to the Sinking Funds, the Post-War Reserve fund, Teachers' and State Employees' Retirement fund, and Local Government Employees' Retirement funds. Investments totalling more than \$150,000,000 have been made.

As State Treasurer of North Carolina I have handled hundreds of millions of dollars through my office. Every dollar has been accounted for. In addition to regular periodic audits, my books have been audited fifteen successive times without the disclosure of a single irregularity. Every dollar of state money entrusted to my keeping either is invested in the strictest accord with law or is on deposit in the more than 200 banks of North Carolina, amply secured by legal collateral.

As I stated before, I had hoped to conduct my part in this campaign above the level of personalities. I still feel that way about it and in the future I expect to discuss matters of constructive import to our people.

But, when a man has done his full duty, it is not unreasonable for him to resent false accusations designed to blacken his reputation in the eyes of the people whom he has tried to serve.

Kerr Scott's charge that I have failed to do my duty under Chapter 2 of the Public Laws of 1943, and that in consequence of my delinquency the State has been losing a million dollars a year, is false. The implications contained in his quoted speeches appear to me to be contrived to reflect upon my integrity as a high officer of the State, and I resent the same with all of my being. Even worse, he is attempting to deceive the people of the State; without a constructive platform except a "me, too" one he has turned in desperation to a campaign of criticism to blacken my name and divert attention from his own incapacities. The people will not be deceived.

I have not violated either the spirit or the letter of the law. Kerr Scott has violated the Ninth Commandment. He has borne false witness against a neighbor.

CHARLES M. JOHNSON

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