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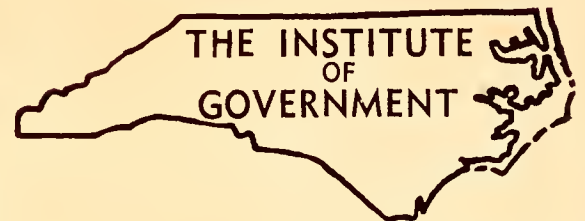
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POPULAR GOVERNMENT

THE DEVELOPMENT OF PIEDMONT CAROLINAS

The cities, towns and counties of Piedmont Carolinas today present a picture vastly different from that which they presented a generation ago. The industrial development of this section during the past third of a century, so phenomenal that it attracted the attention of the entire industrial world, has resulted in the building up of a large number of normally prosperous cities, towns and industrial communities and in making this Piedmont Carolinas section as a whole one of the most favored regions in America.

It is interesting to observe what has taken place in an economic way in Piedmont Carolinas during the first 30 years of the present century. Here are some of the high spots in this 30-year record:

The number of industrial wage earners increased from 118,705 to more than 350,000.

Wages paid annually increased from \$23,324,330 to approximately \$235,000,000.

The number of cotton textile factories increased from 257 to 695; the number of furniture plants from 69 to 146; the number of knit goods plants from 30 to 139.

The value of manufactured products increased from \$153,668,394 to more than \$1,500,000,000.

Bank clearings increased from less than \$100,000,000 to more than \$1,550,000,000.

Even during the past four years, when the entire country, and the entire world for that matter, has been afflicted with a business depression of unprecedented severity, the people of Piedmont Carolinas have been in a relatively favored position. In the face of the depression 251 new industrial plants were established in Piedmont Carolinas during 1931, 1932 and 1933. These new industrial plants have included food and feed mills, furniture, hosiery and garment factories, silk and damask factories, chemical and medical plants, canneries, and other industrial establishments that are utilizing the raw products from our section, furnishing employment for a large number of workers, increasing taxable values, enlarging the wealth created annually in this section, and increasing business opportunities.

The development during the past quarter of a century of cities, towns and industrial communities in Piedmont Carolinas has automatically created one of the best markets in America for all of those things that the modern family requires—food products from farms, manufactured products from shops, mills and factories, professional services of all kinds, etc. The creation of this market has increased opportunities for industry and agriculture in the Carolinas; and has brought greater assurance for the continued economic development of our section.

Industrial development and community growth in general depend more upon the adequacy and quality of power and utility service than upon any other one factor. Live, growing and prosperous communities, and aggressive, well financed and up-to-the-minute utility organizations go hand in hand.

The Duke Power Company and its associated interests are proud of the section and the communities which they serve. We are proud of their progress, of their industrial and commercial expansion. We are grateful that we have been able to play an outstanding part in the industrial and commercial development of this section.

In the continuance of the economic development of Piedmont Carolinas our customers and prospective customers are assured of every aid to this development that is possible through an organization which, in all its branches, has a high ideal of service and a keen sense of its responsibilities to the public, and by experienced, capable and conservative, yet progressive, management.

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Local Governmental Debt Problems In North Carolina*

By T. N. GRICE

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SOME years ago a person of reputed wisdom made the remarkable deduction—"He who dances must pay the fiddler." The person making this observation would have been considered infinitely wiser today had he added—"And the fiddler also pays who plays too well and too long." During the past fifteen years the citizens of North Carolina have been the dancers and bond purchasers the fiddlers—the music has been excellent and the dancers have tripped the light fantastic to the tune of some \$500,000,000 bonded indebtedness with which they are now faced. The dance is over now, at least for the present, and the dancers are becoming foot-sore and weary—the fiddlers have played long and well and indications are that, in some cases at least, they will have to accept a reduced fee for their melodious music.

During the period from 1920 to 1928 the art of borrowing money on long term bonds was made so simple and so attractive to governmental units that our most parsimonious citizens, along with the most liberal ones, were literally swept away by it. Public officials faced with the ever increasing demands of the citizens for public improvements turned, in many instances with little or no thought of the future, to the then simple and alluring bond issue as a means of raising the necessary funds with which to meet these demands. The citizens of the State and its political sub-divisions have built beautiful ribbons of concrete from Murphy to Manteo, court-houses which flatter even the Goddess of Justice, schools which even the most habitual truant must find some desire to attend, bridges which amaze even those of engineering acumen, and parks and other improvements which bring out the beauty of nature if they do not actually improve thereon. We of North Carolina can justly "point with pride" to these magnificent improvements and our hearts delight at the wave of envy which sweeps over citizens of neighboring states when attention is directed to them, but in building our beautiful empire we acquired a bonded indebtedness which

produces no wave of envy in any state, but which does bring a sigh of relief from our neighbors.

We of North Carolina have had our fling and must now settle down to the realistic problem of paying for our fun. This problem of meeting governmental financial obligations is not new and unique, but rather one that has taxed the brains of our leading citizens and the pocket-books of all our citizens, from time to time, since the establishment of democratic government. Today's problem, however, is made more complex and acute because of the period of extreme deflation through which we have been passing during the last few years. Debts are coming due which have to be paid with dollars that are far more difficult to obtain and that possess far greater purchasing power than those which flowed from the horn of plenty at the time when most of the debts were incurred. Consequently, many of our governmental units, some of which have been most prosperous in the past, have found it impossible to meet current bond maturities or interest, or both. It is with this condition and its solution that the present generation of public officials, in most instances for the first time, is faced. That it is one of the major problems before the officials and citizens of North Carolina today can be seen from the fact that more than half of all the local governmental units in the State which have any outstanding bonded indebtedness are in default. North Carolina leads every state in the union in, among other things, the number of municipal debt defaults.

The Growth of Bonded Indebtedness

One may well question the cause for the numerous defaults, and may be answered partially by the phrase "over-extension of credit." Our bonded debt has grown from \$56,550,000

*Taken from a more comprehensive study bearing the same title. This longer study discusses the technical procedure of refinancing, giving a typical example of refunding. This longer study can be obtained, for 25 cents per copy postpaid, from The Institute of Government, Box 147, Raleigh, North Carolina.

in 1918 to over \$500,000,000 at the present time. Forgetting our State debt for the present, we find in that period the bonded debt of local units has grown from some \$38,000,000 to over \$325,000,000. This \$325,000,000 represents debt created prior to 1929 as there has been but little change in the amount of bonded indebtedness since that year. This ever mounting bonded indebtedness has necessarily caused a similar increase in the tax levy for debt service of the several local governmental units, and with the economic collapse in 1930 the citizens, most of whom have felt the terrific blow of the depression, found it practically impossible to meet the tax demands necessary to carry the burden. Tax collections began to decline in 1930 and the closing of many banks, with corresponding stringent credit conditions, added fuel to the flame, resulting in widespread defaults in bond maturities and interest.

The Effect of Excessive Debts

We need concern ourselves here, not with the bonded indebtedness of the State, but rather with that of local governmental units. Many of the cities, towns and counties of the State have been able to continue their debt service schedules and all should do so if at all practicable. A default in bond maturities or interest by any governmental unit, regardless of how trivial, has its effect on the credit rating of all other units and even the State. Governmental units which are in splendid financial condition find that interest rates on any financing that they may attempt are higher because of conditions existing in other units. Some units have been able to continue their present debt service schedules by resorting to the most vicious economies, which result in employes being greatly underpaid and in some instances not being paid at all for long periods of time. It is extremely doubtful whether this course is best because such conditions, if continued for any great period of time, invite social disaster. There are other units which are unable to meet their present schedules and could not do so even though the normal functions of government were completely discontinued. However, a governmental unit cannot and will not exist for the payment of debts only; once governmental services are reduced beyond a given point, taxpayers become hostile to the collection of taxes and there results a complete financial and social collapse of the unit. Those units whose present debts have forced too vicious economies should, and those whose debts might force abandonment of vital governmental services must, seek some adjustment of their present debt schedules.

How to Approach the Problem

A governmental unit, unlike an industrial or commercial concern, cannot go into bankruptcy, thereby forcing its creditors to scale down the amount of, or extend the time for, the payment of its debts. It is absolutely necessary to have complete coöperation between the unit and its creditors in order to effect any adjustment. It is essential for officials of a unit to remember that there exists both a moral and legal obligation to the bondholders and other creditors. Creditors should be given all the pertinent facts concerning the unit's ability to meet its indebtedness now and in the future so that they may determine the justification for any debt adjustment. Attempts at debt adjustment through refunding or any other

means for the sole purpose of reducing the present tax levy are not justified and will meet with little or no coöperation. Officials will do well to deal fairly and honestly with the creditors in all matters. Creditors must realize that the officials of a unit are attempting, to the best of their ability, to deal with the problem fairly and must coöperate fully with the unit if the best result, at the least expense to all concerned, is to be obtained. The necessity for this mutual coöperation can be seen by reference to similar debt situations in the past.

Default Situations in the Past

Following the civil war there were widespread defaults by units in the Southern States which found their treasuries looted by the carpetbagger regimes. Many repudiations, even though morally justified, left their costly effect on the credit of states and their political subdivisions until as late as 1900. This phase of our financial history brings out some excellent examples of both coöperation and hostility between bondholders and governmental units. Columbia, South Carolina, after suffering from financial corruption for more than a decade, was able to effect a compromise with its bondholders whereby new thirty year bonds were issued bearing interest at 2 per cent for the first 10 years, 3 per cent for the next ten years and 4 per cent for the last ten years. Much of the money obtained from the original bonds was spent recklessly and foolishly but the obligations existed both legally and morally. The city was unable to meet its obligations and the bondholders, by being patient and fair, eventually received payment and the city was able to get out of its difficulties because the reduced rate of interest lightened the load when most needed. Officials of New Orleans, which city was not hit so badly by the war and subsequent difficulties, long attempted a 50 per cent settlement, but in the end were forced to issue forty year bonds bearing 6 per cent interest.

In Our Own Back Yard

Coming closer home, a unique and interesting debt situation was cleared up by our Supreme Court in the case of *Broadfoot v. Fayetteville* (124 N. C. 478). In this case the Town of Fayetteville defaulted on some bonds issued to purchase railroad stock in the days of railroad subsidies. In order to avoid the payment of these obligations the Town had an act passed by the General Assembly of 1881 repealing the town charter and providing for officials to be appointed to govern the Town as a taxing district. The General Assembly of 1883 passed an act providing for the citizens of the taxing district to elect their own officials. Thus, life went on in the Fayetteville taxing district for ten years until 1893 when the district was granted a new charter as the City of Fayetteville. This new city comprised practically the same territory and the same people as the taxing district and the former Town of Fayetteville. The new charter prohibited the city from levying and collecting taxes to pay obligations of the former Town of Fayetteville.

Now, let us consider this ingenious child which sprang from some no less ingenious mind. First, the unit that created the obligations was abolished; second, an unincorporated unit to which the bondholders had no recourse was set up; third, this unincorporated unit was continued for ten years so that the Statute of Limitations would run and bar subsequent

legal relief to the bondholders; and fourth, the charter granted the new City of Fayetteville specifically prohibited the levying of taxes to pay the obligations of the old Town of Fayetteville. In the face of all these obstacles the bondholders brought an action which was finally decided by unanimous opinion of the Supreme Court in 1899 as follows: First, that the new City acquired all the benefits of the old Town and must therefore accept its obligations; second, that the provision in the new charter prohibiting the levy of taxes to pay these obligations was invalid and could not be considered; and third, that during the ten year interval between the repeal of the old Town charter and the granting of the new City charter the bondholders had no recourse to the courts; consequently, the Statute of Limitations had not run. Thus, the ingenious brain-child died, and the City of Fayetteville was forced to pay the bondholders.

In some counties in the South officials spent the major portion of their terms in jail for contempt of court for refusing to levy taxes sufficient to meet bondholders' claims which had been reduced to judgments. There were instances in the South where the most effective plank in a candidate's platform was a willingness, if elected, to remain in hiding during his term to avoid the service of court orders, and to be content with the local jail as a residence for refusing to obey court orders if service should be made. Thus, we find that litigation proved not only expensive but futile. In almost every case where the bondholders pressed their full claims against a governmental unit, which was financially unable to pay, nothing was gained and the bondholders were eventually forced to accept a scaling down of either principal or interest, or both. Likewise, where officials of a governmental unit acted arbitrarily and tried to force bondholders to accept a reduction when the unit was financially able to pay in full, the bondholders finally forced full payment, many times at a higher rate of interest.

The Necessity For Debt Adjustments

Many of the local governmental units in North Carolina find themselves in default because of some temporary condition such as large maturities now due which the unit, because of the slowness with which taxes are being collected, will not be able to meet for several months. This condition can be remedied by making short term borrowings or by postponing for a short time, and does not present a very serious problem. Other units have heavy maturities during the coming few years after which time the debt load lightens considerably. If these maturities can be extended over a period of the next ten years or more the unit will be able to meet its obligations in full. Still other units have so over-extended their credit that they cannot, without some adjustment of either principal or interest, hope ever to pay their obligations in full. While those units comprising this latter class are comparatively few they present a very difficult problem—one that must be solved satisfactorily to all concerned before the unit can once again function normally. It is impossible for a unit to grow and prosper with the cloud of debt default and the burden of excessive taxes over it—such a condition tends to demoralize the citizens and destroy all initiative. Citizens no longer improve their property because of excessive taxes, public improvements depreciate and turn to ruins because of the lack of funds for repairs and replacements, and tax delinquency mounts as citizens give up hope. Unless

there comes a miraculous era of prosperity, partial or full repudiation follows—costing the bondholders dearly and leaving a blot on the financial standing of the unit which will require years to erase.

Legislation to Control Local Indebtedness

Our General Assembly, realizing that local unit indebtedness would, if left uncontrolled, soon be out of proportion to property valuation, created the County Government Advisory Commission in 1927 to confer with counties on matters of county government and finance. This Commission, however, had little statutory power in controlling county indebtedness. In 1931 the General Assembly created the Local Government Commission and enacted laws which gave this commission very rigid control over any increase in the indebtedness of local units. Space will not permit a digest of the powers delegated to the Local Government Commission; however, a complete summary of these laws entitled "Local Government Law Applicable to North Carolina Counties, Cities and Towns—1933" has been prepared by the Commission and any interested party can obtain a copy and familiarize himself with its provisions. The creation of this commission is generally regarded as an excellent piece of legislation, but like so much of the fine legislation we have had in the past few years it tends to "lock the stable after the horse has been stolen."

Legislation to Assist Units

Probably the most trying problem under any plan of debt adjustment is the treatment of dissenting minorities. Even though 98 per cent of the bondholders of a unit agree to a plan of adjustment there was no way, until the passage of the Municipal Bankruptcy Bill by the last Congress, to bind the dissenting 2 per cent in order to make the plan completely operative. These trifling minorities have been the thorn in the side of most of the plans proposed to date, and it was largely because of them that the Sumners-Wilcox Municipal Bankruptcy Bill was enacted. This bill provides that upon petition to the court by a unit and 51 per cent in amount of its creditors a plan of debt adjustment can be submitted for the approval of the court and if approved can be tentatively adopted. If the unit can secure the assent of 66 2-3 per cent in amount of each type of outstanding debt and 75 per cent in amount of the total outstanding debt the court can rule the plan to be just and acceptable and operative, and it will become binding upon the dissenting minority. This bill helps to make a plan operative by eliminating cantankerous minorities, but does not, as many people seem to believe, pave the way for widespread municipal bankruptcy proceedings followed by drastic reductions in principal and interest. The Municipal Bankruptcy Bill is deceiving in its name as it has no provisions for a governmental unit to become voluntarily or involuntarily bankrupt within the strict meaning of the word. This bill was made a part of or an addition to the Federal Bankruptcy Act for want of a better place to put it. Legislation which would bind a dissenting minority had to come through our National Congress since any such legislation by any state would violate the prohibition against interference with contractual rights and therefore would be unconstitutional.

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Election Practices

By W. C. MEEKINS

Chairman, State Republican Executive Committee



THE Institute of Government herewith presents the second of two articles on our state election laws and practices. The first, by Major L. P. McLendon, Chairman of the State Board of Elections, appeared in our December issue.

WE appreciate, I believe, the non-partisan purposes of the Institute, yet I trust it will not be improper to remark that some 250,000 Republicans in the State are grateful to Professor Coates for supplying a Forum for the discussion of questions of public concern, wherein Republicans may join with Democrats and be made to feel welcome. We, as Republicans, are called upon often enough for contributory services to the State in other ways of Progressive State building, and we are ready, willing and eager to assist in a clean-up of the election abuses and frauds, if we may. We Republicans of the State are as truly North Carolinians as those of opposing political affiliation. We love the State and cherish her history and traditions just as much, and appreciate this Forum where we may all come together, laying aside petty politics for the while, to see what can best be done for the common good of us all. There are a few cynics who view with alarm any proceedings in which Democrats and Republicans profess to lay aside political armor and strive together for what is best in the State. But their number is few, and they forget that working and striving together is exactly what we are doing, most all of us, all the while except for a brief period every two years, when we take to the hustings. I agree in the main with those who believe that when the lion and lamb lie down together, if they do, chances are that the lion will be the only one to get up. But the distinction is, I believe, that here we are not divided into lions or lambs, but stand in this forum as equal North Carolinians, all. And the State would do well to take note, and participate in its program under Professor Coates, in increasing measure.

But, going on to Election Laws and Elections in the State: I am not thinking of the subject now with an eye to partisan advantages. Rather, I would like for us to consider one or two phases of it as illustrating how the whole is related to, if not altogether necessary to, the serious questions of Law Enforcement and Law Enactment, and certainly all agree that Law Enforcement is every day touching us more closely, becoming daily a more menacing problem with us. Major McLendon has spoken of the impending danger to respect for the Law generally, as deriving from the utter lack of respect for the Election laws particularly, in so many places. And this raises the gravest issue.

It is too often over-looked, I believe, that support of the law is dependent upon its equivalent, that is, respect for the law by that very tangible force called public opinion. In fact, this is about all the enforcement power we have. The police and courts do not enforce the law. They can not.

But public opinion, in its respect for the law, does. The police, at best, can only hope to suppress and punish the exceptions to the rules and experience of the law. Therefore, it is of the first importance that laws be enacted which will have the support and sympathy of an observing public opinion. The election laws and practices do not meet this test. The body of the law might be thought of as innumerable threads woven into a great cloth. We should watch for flaws in the thread before we use it; if a faulty one gets by, it should be removed upon discovery. And if we permit one to be broken here, another there, and do nothing about it by way of repair, we will ultimately find our great cloth a rag, and ourselves naked indeed. It is by the slow process of a slight destruction here and there that the whole fabric is finally consumed.

The Public is Awakening

Public sentiment in the State has not been much concerned, until lately, with the enactment or enforcement of the Election Laws, as they are, or should be. This is difficult to understand, unless it be due to the fact that the Election laws are not constantly with us, but appear before the public eye only every two years. And yet, no other law can be of such primary importance to the people of the State for this is the mud-sill of a representative form of government, upon which the whole structures of our local and state governments are built. It is only through the uses of the franchise as controlled in our election laws that the guaranties of personal liberty and property rights have any real meaning. I believe public opinion is being stirred in this direction, lately. Certainly newspaper opinion in the state is becoming concerned. There are faulty threads in the fabric. And it is no longer doubted that violent hands have broken the threads in many places, at the same time. It is time the old watch-dog began to bark.

It is obvious that no matter what the laws may provide, after all, the real condition of elections in the state will depend on the quality of those who conduct them, who hold the elections. This is largely a local responsibility in the several

counties, beginning with the selection of the County Board of elections by the State Board. We know the State Board can not act from close knowledge of conditions in all the 100 counties of the State, and must rely principally upon recommendations. These recommendations too often are not backed by public sentiment. In the main, the State Board has been able to appoint worthy members of the County Boards but in many instances such appointees have been entirely unfit and unworthy. In some counties even the Chairman of the County Board is not a respected or respectable citizen. We all know they have tremendous power, are responsible for the selection of Registrars and Judges in the several precincts of the county, and in general control the conduct of the elections. They sometimes are offensive to the majority members of their respective parties. In fact, the hosts of voters do not know how, when, or why they were appointed, until it is all over, and being over, public sentiment subsides. By way of suggesting a partial remedy for unfortunate selections in the members of the County Boards, I believe it would be helpful if it were required that the names of those under consideration for appointment be published within the county *before* appointment, with opportunity to any person, *before* the time of appointment, to show cause, if any, why such appointment should not be made by the State Board. And similar procedure should apply to the County Boards in the selection of the Registrars and Judges in the precincts. If this would contribute to a selection of higher-minded election officials in a few counties, I believe the objection of a comparatively small added expense in all the counties will have been outweighed. In fact the entire added cost would be balanced in the elimination of a contest here or there, and it may be noted that contests are becoming numerous enough, as well as expensive.

The Way to Improvement

If the 'markers' and 'assistants' about the polling places should not be eliminated entirely, much of the trouble incident to the eagerness of these individuals to serve, could be eliminated accordingly as those with authority to conduct the primaries and elections, are determined for or against a fair and honest vote and count. The all-important way of improvement, I think, lies in the way of securing the highest type appointees to the County Boards of Election, who have the power to designate the officials in the precincts and thus determine the whole character of our elections. We know that public opinion can not change the results of a given election as declared by a particular Board of Canvassers, but it can and should be able, from time to time, to help change the canvassers.

If it should be doubted that in some instances public opinion is responsible for the condition of law enforcement, and the argument made that here or there is an unworthy public official elected or re-elected by a majority of the people as the very choice of that public opinion we are talking about, there may be several answers. As, for instance, public opinion we are talking about, there may be several answers. As, for instance, public opinion may have been ignorant in the premises, or deceived; the choice in opposition may have been as bad or worse; but in many such cases it will be found that public opinion has not really had a fair deal, a free expression, under the laws.

I have no pet quarrel with the theory of the law permitting a bona fide absent elector to cast his or her ballot on election day. The theory is laudable. But we have had a rather

considerable experience with it, for about 16 years and we begin to suspect, as Major McLendon has said, the day is about to dawn when almost everyone is to be either too sick or too absent to vote in person. What is the danger here, with respect to Law enforcement, and Law enactment?

The Absentee Ballot

We know already that in many counties, in the primaries, candidates for sheriff, for instance, are first nominated by the controlling bloc of votes cast by the sick and the absent. Many of the 'sick,' and an astonishing number of the 'absent,' have not lived in the County and State for lo! these many years, nor will they again. They are not to be effected in personal security or interest of property by anything that may happen as a result of the combined votes cast in their name. If a sheriff is to be nominated who, if elected, will not be too diligent after the 'casual violators,' it is of small consequence to the absent voter who seldom, if ever, puts his life or property in jeopardy upon our highways, who has no interest for the conditions of home, schools, farm, factory, or anything of value whatsoever, whose children and family are outside the sphere of local influence and not effected by anything whatsoever, including taxes, in the State and County.

The extent of such absent voting varies, naturally, among the respective counties. In some, there is no trouble with it, I know, as a matter of franchise, pure and simple. But these are not removed from the effects. The ways of communication in our state today are numerous and fast. Our problems today in the west may easily become those of the east tomorrow, and vice versa.

In many counties today, candidates for the positions in our courts and policing departments are nominated in primaries by those absent voters who hold the balance of power, who thus in effect can subvert the true expression of public opinion at home. In some counties those whose nominations were controlled by the absent, are in the general elections declared elected by the margin of the same bloc of absent voters. Was it ever contemplated that men absent because in a prison camp as prisoners, or dead, should vote? They do!

Thanks to the "Absent"

The same conditions apply, wherever they exist at all, to the election of all officers, including, of course, the members of both branches of the legislature, and the votes of the members from such counties and districts have their effect, sometimes control, upon every state-wide act and local enactment effecting every or any county in the State, as well those where such practices are unknown as those in which they exist most abundantly. Such public officials are encouraged by the permitted practice to give thanks to and bear allegiance to the 'absent,' without that high concept that is born of the knowledge of a bona fide supporting public opinion at home. They are comforted in the hour of betrayal to public duty with the thought that the regular party followers will follow through, the absent will never know,—and the "absentee vote will pull me through next time." Such conditions exists only in a minority of the counties of the State, I am sure. Yet these relatively few, as we say, may through the local conditions created and their votes in the Legislature, ultimately impose upon the entire state and all its counties a

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The Wright Memorial

By T. N. GRICE

ON the summit of a ninety-foot sand dune, Kill Devil Hill, at Kitty Hawk, North Carolina, stands the most interesting monument in the world—the Wright Memorial.

Kill Devil Hill, a twenty-six acre mass of fine white sand, ever changing in contour, constantly churned by the never dying winds which made it appear as a boiling spa, or a smoldering volcano, has for centuries witnessed man's struggle against the elements. Kill Devil Hill in all its majestic splendor watched Sir Walter Raleigh sail his tiny ship up Roanoke Sound to found Fort Raleigh on the shores of Roanoke Island. It was restlessly watching when little Virginia Dare, the first white child born in America, opened her eyes to view a new and strange land; it knows the fate of that handful of brave pioneers that vanished from the "lost colony" on the shores of Roanoke Island, never to be seen or heard of again by civilized man.

Kill Devil has stood vigil while puny men, in ships equally as puny, futilely battled the raging winds and seas along that barren strip of coast north of Hatteras so commonly known as "The Graveyard of the Atlantic," only to have their ships scattered upon the shore and their lives claimed as toll by the maddened ocean. Kill Devil Hill smiled sardonically when two brave young men arrived at its base with a fragile bird-like contraption and announced that they would attempt to fly. Had not hundreds of men died within its sight attempting deeds not nearly so daring? However, the sardonic smile changed to one of admiration when, on December 17, 1903, the Brothers Wilbur and Orville Wright sailed into space with their bird-like contraption, giving birth to the greatest mechanical achievement in human history.

Anchoring a Mountain of Sand

Kill Devil Hill continued her restless churning, moving slowly but surely south due to the prevailing northeast and northwest winds, until 1929 when Captain William H. Kindervater, a construction engineer in the Quartermaster's Corps of the U. S. Army, was sent with orders to place a permanent check on the steady peregrinations of the mammoth sand dune. The United States wanted to erect a memorial commemorating the first flight of man, but why erect a memorial on the top of a sand dune which would inevitably wander off to leave the structure?

At first, it looked like a hopeless task. Skeptics scoffed: it couldn't be done; nothing would grow in the drifting sands; the winds would blow the seeds out as fast as they could be planted; if the seeds could be made to stick, the blistering summer sun beating down upon a dry sand hill would burn up any vegetation that might get started. Undaunted, Captain

Kindervater first threw a barbed wire fence around the hill to keep out beach cattle, wild ponies and hogs. Next, he contracted for enough woods mold to cover the hill and enough brush to cover the woods mold. He sent to Porto Rico for crotolaria seed, and to Australia for marram. In the meantime, he studied and experimented with every kind of vegetation indigenous to the North Carolina coast. Native wire grass and bitter tanic were the grasses most suitable for clothing the hill, and these grasses are flourishing from the base to the summit of Kill Devil Hill today. The work of anchoring the dune got well under way in the Summer of 1930, and required more than a year to complete. The cost was in excess of \$25,000, but the restless old hill was firmly anchored, a great engineering feat expertly done.

The Memorial

The memorial built on the summit of the anchored Kill Devil Hill is a sixty-foot granite pylon, triangular in shape, with a thirty-nine foot base and forty-nine foot sides. These sides are ornamented with gigantic wings in bas relief, the effect of the whole being suggestive of a bird about to launch itself into space. The foundation of the memorial is a concrete core which penetrates some thirty-five feet into the center of the big dune. The

HERE is the story of that great memorial to man's first flight in a flying machine heavier than air. The Wright Memorial, often called "the most interesting monument in the world," crowning the sand dune from which the Wrights conducted their experiments in 1903, is the subject of our cover picture for this month.

monument stands on a star-shaped granite base, the walls of which sink down into the hill to a depth of twelve feet.

To reach the monument you must climb a slab cement-gravel pathway going up the north side of the hill. The top of the pathway terminates in front of the monument. Going around the monument to its base you see the entrance guarded by two massive stainless steel doors, the cost of which was \$3,000. Each door contains four fanciful engravings representing various parts of the story of man's conquest of the air, including mythical Icarus who fastened a pair of wings to his shoulders and soared into space only to meet disaster when the sun melted the wax which held the wings in place. These doors are truly a work of art.

Passing through the massive doors you enter into a hectagonal memorial room with pink granite walls and black floor. In the wall on either side is a niche. It is planned to place busts of Wilbur and Orville Wright in these niches. Directly in front of the doors is a little alcove in which is to be placed a model of the plane with which the Wright Brothers made aviation history. In the center of the room, upon a table, is a map of the world, engraved upon a slab of stainless steel almost a yard square, showing the course of all the major air flights from 1903 to 1928. The map is entitled "First Twenty-Five Years of Aviation," and beginning with the first flight of the Wright Brothers on December 17, 1903, lists,

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"Uncle Dan" Terry Reminisces

By **GEORGE W. BRADHAM**

Associate Director, The Institute of Government

"YES sir, I've had some real experiences in this old building," said "Uncle Dan" Terry, who has charge of the State Capitol and grounds in Raleigh. We were sitting in Mr. Terry's office in the capitol, the office that was used for a barroom during reconstruction days.

"But the most unusual experience I ever had since I started working for the State in 1896 was the day the Populist governor, D. L. Russell, called me into his office and instructed me to take a gun and keep Wilson, who was Railroad Commissioner at the time, out of his office. Wilson and the governor had quarreled, so the governor was determined to make Wilson give up his job.

"I knew the governor wasn't fooling, because there was a big pistol on his desk. And the governor said, 'Listen, Terry, I mean this. You keep Wilson from entering any State building. If necessary, shoot him. And you don't have to worry about getting hung, because here's a pardon for you, all prepared in advance. Just in case you have to shoot Wilson.'

Pardoned in Advance

"I took the paper the governor held out, and sure enough, it was a pardon," said "Uncle Dan," as he smiled about that tense day back in '97. "I saw there wasn't anything to do but follow the governor's orders, so I took the gun, stuffed the pardon in my pocket and camped in front of Wilson's door for a week.

"Wilson came by several times, but he never tried to get in his office. He and I were great friends, but he knew that the governor had ordered me to keep him out of the building, so he would just walk past on the other side of the street and not come any closer."

"What happened to the gun and pardon?" I asked Mr. Terry.

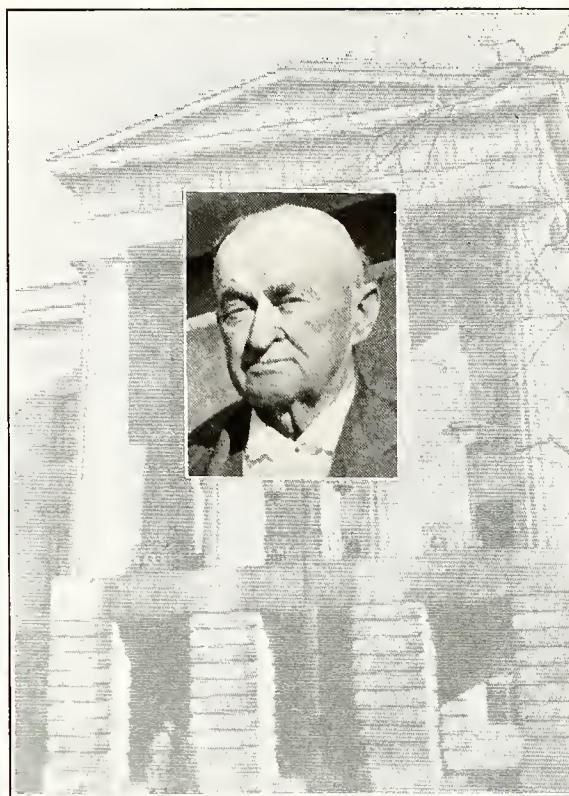
"Governor Russell gave me the gun and it's home right now, with the same bullets in it that Russell placed there himself. I kept the pardon too, but it's been lost long ago. But if you'll come back tomorrow I'll have the pistol here and you can look at it."

I went back next day. Mr. Terry had the gun in his office. It was an old Colt's six shooter and looked wicked enough to scare any man out of a job.

The Mark the Yankees Left

"Why didn't the Yankees burn down the capitol when they took Raleigh during the Civil War?" I asked Mr. Terry.

"I don't know," he said. "There were Union soldiers all around Raleigh for several months, but they never put but one mark on the capitol, and I'll bet you that half the people



THIS is "Uncle Dan" Terry and the western facade of the building he loves so well, the State Capitol at Raleigh.



who work in this building don't even know where that mark is. Come on, I'll show it to you."

Mr. Terry's office is on the second floor. We went downstairs, and into the governor's office. Governor Ehringhaus was away for the day, so we marched right in.

"Uncle Dan" opened one of the doors which lead from the hall into the governor's office and pointed to a deep gash near the lock. The gash, although heavily covered with paint, was at least an inch deep.

"There's the mark the Yankees left," Mr. Terry said. "They wanted to get in the governor's office and this door was locked, so they took an axe and battered away until the door opened. The rest of the doors in the capitol must have been unlocked, or they would have battered them in, too."

Mr. Terry Born in '61

"Uncle Dan" Terry, who probably knows more legislators than any man in North Carolina, was born in Franklin County in 1861. His father fought through the Civil War and while he was away from home the Yankee soldiers took the Terry farm. "But they treated us with a great deal of consideration," Mr. Terry stated. "Though I don't remember anything about the war, my mother always said that the Union soldiers never bothered anything on our farm."

Elias Carr, governor from Edgecombe County, gave Mr. Terry his first job at the capitol, and Governor Russell, the man who ordered Mr. Terry to use the gun on Commissioner Wilson, fired "Uncle Dan" when the Populists came into power. However, Russell took Terry back again. So with

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Repeal the Sales Tax

By WILLARD L. DOWELL

Executive Secretary, The North Carolina Merchants Association

THE attitude of retail merchants toward the general sales tax is well known and needs no reiteration at my hands. However, I am glad of the opportunity to enumerate a few of the reasons for their opposition to this species of taxation and to state that merchants do not oppose the sales tax from an arbitrary or selfish standpoint, but from the standpoint of principle and justice.

From the days of Adam Smith, father of modern economic thought, down to the present, every economist of recognized standing has prescribed a formula for a sound tax policy and they agree that the three fundamental principles are:

1. That the tax should produce sufficient revenue to operate the government (or the amount of its estimated yield).
2. That the tax should bear most lightly upon those least able to pay.
3. That the tax should not handicap the orderly development of business.

Inadequate and Unreliable

When the sales tax was enacted it was estimated to yield \$8,400,000 annually and upon this figure the State predicted its operating budgets. The first year of its operation the tax produced \$6,011,000, falling \$2,389,000 short of anticipation. Such deficits can only be liquidated by reducing the costs of government or by levying additional taxes. State Government costs cannot be reduced further unless entire departments are abolished. Salaries of state employees



and school teachers have already been cut to the quick and in all justice should be increased; but these employees cannot expect any material increase as long as the State adheres to the sales tax.

The disappointing yield of the tax in North Carolina is in keeping with the experience of other states and nations with sales taxes. There are many reasons for their failure as revenue producers, such as the uncertainty of retail sales volume; driving business to mail order houses and out-of-state dealers; bootlegging of commodities; evasion of the tax due to public resentment against shifting the tax burden from wealth and property to poverty and distress; and many other reasons. Whatever the reason, the sales tax is inadequate and totally unreliable and it is, therefore, an unsound tax.

Tax on Poverty

When measured by the second requirement, namely, "That the tax should bear most lightly upon those least able to pay," the sales tax fails completely. It is as Mr. Maxwell, the highest taxing authority in North Carolina, said, "The greatest tax on poverty that could possibly be invented." Three per cent out of the dollar of the rich may not mean much, but three per cent from the dollar of the man who has no job and no other dollar with which to buy food and clothing is a crushing burden. The tax affects small incomes proportionately much more than large incomes.

To illustrate, the man with an income of \$2,000 or less is compelled to spend his all for necessary living expenses and 100 per cent of his income is taxed, while the man with an income of \$20,000 or more spends very little if any more for necessary living than his less fortunate neighbor and only 10 per cent of his income is taxed. His surplus earnings are spent for insurance, travel, education, recreation, entertainment, investment, savings, and expenditures non-taxable under the sales tax. Approximately 90 per cent of the dollar volume of retail sales are made to those of the lower income classes. Thus those who can least afford it are paying nine-tenths of sales tax collected in North Carolina.

The law prescribes that the maximum sales tax on any single article is \$10. Thus a man could buy a \$10,000 article and pay at the rate of one-tenth of one per cent, while the poor fellow who buys bread for ten cents must pay a penny tax, which is ten per cent. The tax is not based on ability to pay but on inability to escape.

Drives Business From State

The sales tax is the exact opposite of the third requirement of sound tax policy which is "That the tax should not handicap the orderly development of business," for the tax is a destroyer of business. It is literally driving millions of dollars of business from the state just as Governor Ehringhaus predicted when he said, "The sales tax enacted

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The Strength of the Sales Tax

By G. P. GEOGHEGAN, JR.

Chairman, Legislative Committee, N. C. Association of Real Estate Boards

A SURPRISING strength of the sales tax is the weakness of the opposing arguments . . . meaning, that after twenty odd months of fulmination the opposition has not produced a practical, logical or credible reason for its abandonment. If any proposition in North Carolina ever won on its merit, it has been the sales tax, the subject of some of the most vicious, misleading and unfair attacks ever launched against a measure in this State . . . and fortunately for the tax itself, attacks void of judgment and reason. Piled up, packed in, boiled down and reduced to the commonest sort of denominator all of the arguments against the sales tax amount to one theme . . . "I don't like it." And *such* an argument! Neither do I like income tax, franchise tax, license tax, gasoline tax, property tax . . . in fact I don't like any kind of tax. Neither does a child like castor oil. And yet it is on such silly premises that the people of North Carolina have been asked to judge the sales tax.

As far back as January, 1933, we find anti-sales taxers appearing before the committees of the General Assembly with dire predictions of calamity if the sales tax were adopted; that it would not produce *any* revenue; that it would literally throw thousands of merchants into bankruptcy; and that within six months after its enactment there would be eighteen thousand vacant stores in North Carolina. The utter absurdity of these statements is obvious. The sales tax is producing 14 per cent of the State's income; find a single merchant thrown into bankruptcy by any circumstances even remotely traceable to the sales tax; try to find a desirable vacant store in North Carolina. One hundred per cent retail merchandising locations are at a premium, with chain stores competing for them.

opposing it there is almost a total dearth of any effort to reason the thing out . . . any calm or deliberate summing up or presentation of the facts. Surely there are defects in the sales tax at which the finger could be leveled; certainly there must be imperfections upon which just criticism could be hung . . . but no! such a method would require an appeal to intelligence . . . reason as opposed to argument.

An Ancient Economist

True, there have been vague references to Adam Smith, distinguished Scottish economist who never laid eyes on North Carolina and died just as George Washington was stepping into the hearts of his countrymen as the first President. Admitting that Smith was good, I personally prefer more modern advice on North Carolina's fiscal problems, just as I would rather that a modern doctor attend my ills than the best surgeon Shakespeare knew. I claim no great intimacy with the deceased Mr. Smith, but I do have an apprehension that he is being misquoted. Mr. Smith, says the opposition, claims a tax is a failure unless it produces sufficient revenue for the operation of the Government, and for that reason the sales tax is a failure. Strike one on Mr. Smith! If he said *that*, we do not want his advice in North Carolina, dead or alive, for we haven't any *one* tax that will produce the forty million dollars the State requires. Gasoline tax comes first with fifteen million, and the hard working little sales tax ranks in the same bracket with income, automobile license and franchise taxes.

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The Latest Prophecy

The latest prophecy seems to be that the continuance of the sales tax will make of North Carolina the most backward State in the Union, of the fact the prognosticators presumably being in blissful ignorance that over half of the states *already* have a sales tax actively in operation, and that the other half are headed for it as surely and certainly as their respective legislatures meet. If the three words iniquitous, abominable, and damnable were deleted from our English dictionary the opposition would be left quite speechless. I say this, of course, facetiously and yet in the public utterances of the spellbinders opposing the sales tax these three words appear and reappear with a monotonous drip, drip like water on a stone. And summed up in these three words seems to be the philosophy of those who would defeat the sales tax . . . abuse, vituperation, appeals to mass prejudice, attempts to array class against class, a thing which above all things the intelligent leadership in this State should seek to avoid in view of our recent industrial skirmishes.

In all the thunders of condemnation against the sales tax and the thousands upon thousands of printed words



Coordination of Anti-Crime Activities

By ALBERT COATES

Director, The Institute of Government

THE National Crime Conference in Washington in December, 1934, lends country-wide significance to a local crime conference in North Carolina in December, 1932, and emphasizes the timely importance of the coöperative program of the Law Enforcing Officers' Division of The Institute of Government.

The background of both national and local conferences was furnished by two hundred years of history during which the people of North Carolina in common with the people of America have built on a single piece of earth a pyramid of overlapping governmental units with their corresponding pyramid of overlapping law enforcing agencies. As federal, state and local law enforcing officers from all parts of America came together with representative citizens groups in the national conference in 1934, so the federal, state and local law enforcing agencies operating within the territorial limits of a single North Carolina county came together with representative citizens groups in the local conference in 1932. The theme of the two conferences was the same.

Local Crime Conference: December, 1932

In the local conference on crime there were the town policeman, the township constable, the county sheriff, the state patrolman and the federal agent, representing their respective governmental units in the investigation of crime and the apprehension of criminals within the county's limits. There were the solicitors of city, county, state and federal courts, charged with the prosecution of offenders in the same territory. There were the Justice of the Peace, the Judge of the Juvenile Court, Judges of the Recorder's Courts, the Superior Court and the United States District Court, sitting in judgment on offenses committed in the same area. There were representatives of the agencies of punishment, parole and pardon along with city, county, state and federal legislative representatives of the people living within the county limits. Representatives of fifteen local religious, civic and professional organizations of men and women completed the picture of the local gathering.

In short, there were assembled the agencies of investigation, arrest, prosecution, trial, punishment, probation, parole and pardon of criminals, together with accredited representatives of the people who formulate and in the last analysis make or break the policies involved in the administration of the criminal law in North Carolina. It was the first time in the state's history that those officials working on the same problems, for the same people and in the same territory, had

The President's Appeal

"I want the backing of every man, every woman and every growing child in every state of the United States and in every county of every state—their backing for what you and the officers of the law are trying to accomplish.

"I ask you to plan and to construct with scientific care a constantly improving administrative structure—a structure which will tie together every crime preventing, law enforcing agency of every branch of government—the federal government, the forty-eight state governments and all of the local governments, including counties, cities and towns."—Franklin D. Roosevelt to the delegates assembled at the National Crime Conference in Washington, December 10, 1934.

come together for concerted action.

In the day of the hue and cry a citizen was required to track the criminal across his plantation to his property line and the adjoining landowner there took up the chase. Today the citizen's representative may track the criminal to the town, the township, or the county line as the case may be, and if the scent is warm and the pursuit hot may cross it, not if the scent is cold. We stop to swap horses on our boundary lines. While the law is in hobbles, the criminal goes free.

Prosecutors Differ

Each prosecuting attorney in the bounds of a discretion literally beyond control can determine practically on his own motion whether a case is to be prosecuted or not prossed, whether a plea of guilty to a lesser offense will be accepted, how gently or how fiercely prosecution must be pressed. He may do all these things and more, and for reasons sufficient only to himself, with the result that there are as many policies of prosecution as there are prosecuting officers. One prosecutor, as one judge, may feel the prohibition law is the sole and only law to be enforced, while another feels that it is only one of many. Criminals and criminal lawyers play upon these differences to private gain and public loss. It is part and parcel of their stock in trade. No prosecuting officer can alone do anything about it. Concerted action is the only hope.

Judicial Discretion

The legislature when it gave the judges their discretion in the punishment for crime did not prescribe the factors which should guide them in its use. In the absence of a common law to go by each judge is, per force if not per choice, a law unto himself. The lawyers know it and the records show it. Multiply 1 by 24 and we have 24 superior court judges pursuing different penal policies in different parts of the State at the same time. Add the 100 and more judges of intermediate courts and the situation becomes complex. Add 100 juvenile court judges and the complexity increases. Add the unknown hundreds of justices of the peace and complexity becomes confusion. Rotate the 24 judges of the superior court and confusion becomes confounded. Put the power of pardon and parole in the hands of the Chief Executive of the State and the machinery for the administration of our penal policy is complete. These independent agencies today are working in North Carolina, side by side but not together—all too often crossing each other's paths and frustrating each other's aims.

The Monkey Wrench

Not only may one police agency throw a monkey wrench into the machinery for criminal investigation and arrest, and a prosecuting attorney or judge gum the game of the machinery for prosecution and trial, and overlapping legislative bodies checkmate each other's aims, but it is all too apparent that failure to catch the criminal may destroy the effect of the most effective criminal courts; that uncertainty of conviction and punishment in the criminal courts may paralyze the efforts of the best police departments; that the achievements of both may be neutralized by arbitrary policies of punishment, pardon and parole; that no law is stronger than the police desk, the jury box, the judge's bench, or the governor's chair; that the chain of our law enforcing machinery is no stronger than its weakest link; that all of them together are powerless without the understanding coöperation of informed public opinion.

It is a long way from the day when the hue and cry called on every man to track a criminal to his property line to the day when an unthinking public romanticizes lawless desperadoes. Somewhere between these two extremes we must find the supporting point where the public will stand behind its laws and officers with a power that will not be denied. To find this point is the problem of law and order in North Carolina today.

Coordinated Effort

Out of these needs came the Law Enforcing Officers' Division of The Institute of Government. It was in the late twenties that the Police Chiefs and Sheriffs formed their separate organizations. It was in 1929 that the State Patrol was organized. It was in 1930 that the Police of the cities, the Sheriffs of the counties, the Patrol of the State, and the Agents of the federal government came together in the first coöperative statewide school of law enforcing officers to be held in North Carolina. This gathering authorized the formulation of a statewide program for the coördination of all crime preventing and law enforcing agencies in North Carolina. In succeeding months organizations were perfected by the Coroners, Prosecuting Attorneys, Judges, Prison Officials and Legislators of city, county, state and federal governmental units. Accredited representatives of religious, civic and professional groups of men and women were invited and agreed to coöperate along with teachers of civics and government in the high schools, colleges and professional schools. Thus all agencies of crime prevention and criminal law administration in North Carolina are coming together for coöperative action in the Law Enforcing Officers Division of The Institute of Government. They have formulated and are carrying out the following program:

Plan of Action

I. A thoroughgoing revision and codification of Criminal Procedure in North Carolina—in theory and in practice, in books and in action.

For the past two years a member of the staff of The Institute of Government has been collecting, comparing and classifying the laws relating to criminal procedure in North Carolina which are scattered through constitutions, statutes and decisions from colonial beginnings to the present day. He is now engaged in going from town to

town and from county to county with the coöperation of the law enforcing officers of the state, studying the criminal law as it is found in North Carolina in the methods and practices of city, county, state and federal police officers, prosecutors, judges, prison officials and the agencies of probation, parole and pardon. The results of these studies are being compared with the Standard Code of Criminal Procedure prepared by the American Law Institute in the effort to do for Criminal Procedure in North Carolina today what was done for Civil Procedure on the basis of the New York Code in 1868.

II. The preparation (1) of guidebooks for the use of law enforcing officers, (2) of pamphlets and programs for the use of citizens organizations, (3) of source materials and supplementary texts for the use of teachers and students of the social sciences in the high schools, colleges and professional schools.

The studies of the structure and the workings of our criminal law enforcing machinery are furnishing the materials for these publications. They will fill a long felt need of officers who have been thrown without training into the performance of their duties, of citizens who have been looking in vain for adequate information concerning the administration of the criminal law, of teachers who are charged with the instruction of the youth in the workings of their government.

III. The building of a central demonstration laboratory to which (1) law enforcing officers, (2) citizens, (3) students and teachers alike may go to see in one place illustrations of the methods and practices, organization, equipment, records and routine they would now have to go to hundreds of places to find.

As the member of The Institute staff goes from place to place studying the methods, practices and organization of our criminal law enforcing machinery he is collecting the exhibits and information which will be brought together for purposes of demonstration in the central demonstration laboratory.

IV. The operation of county, district and statewide schools or institutes for the training of (1) law enforcing officers, (2) public affairs committees of citizens groups, (3) teachers of the social sciences, for participation in a great cooperative program of crime prevention and criminal law enforcement.

The coördinated schools of city, county, state and federal police officers in North Carolina have been held yearly on a statewide scale since 1930. The plan for local schools was initiated in a series of meetings of law enforcing officers held in the fall of 1931 in Asheville, Charlotte, High Point, Greensboro, Winston-Salem, Durham, Raleigh and Wilmington. These meetings have been followed by a dozen or more Judges and Solicitors of the Superior Courts who are calling together for systematic instruction the law enforcing officers

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Legislation Sponsored by the County Commissioners

By **JOHN L. SKINNER**
Secretary and Treasurer, State Association
of County Commissioners

IN offering here the legislative Commission's Association of Counties, The Institute of Public Administration, size the fact that it neither sponsors programs or any specific initiative is happy to offer information about these programs to the public. Contributions welcome from those who wish to supplement our efforts. For more information on these programs here or on any other subject discuss with the Editor of this magazine. All contributions to the Editor, Raleigh, N. C.

THE idea has always been prevalent that a county commissioner knew very little about anything, especially county government. If the best business man in the state happened to be elected to fill the office he required an unlimited amount of tact, besides ability above the ordinary, to stay in office more than one term. The most unsuccessful person in the county felt perfectly qualified to criticize anything that was or was not done.

I have known the county commissioners of this state for the past twelve years, and am perfectly aware that until the County Commissioners Association began to function nothing had been done for county government since the Civil War.

The only worth while thing given us in the Carpet-Bagger Constitution was the commission form of county government, which, in my opinion, is far better than the county manager, dictator or any other form. If the General Assembly will pass a few laws, which the Commissioners Association is only too glad to suggest to them, we will promise the state better local government at far less cost.

The North Carolina County Commissioners Association, composed of commissioners from all of the leading counties in the state, met at Asheville August 14, 1934. There were more than three hundred delegates from seventy counties present. The Association passed the following resolutions which, if enacted into law, will do more to restore the morale of local government than anything of which I know.

1. "We oppose the re-enactment of any ad valorem tax on property or any increase in the tax on industry for the support of the schools, the state government or state institutions."

There are some 100,000 men in the state of poll tax age (twenty-one to fifty) who do not list their polls and who list no property of any kind for ad valorem taxes. Many of these men float from place to place, acquiring no fixed residence. There are another 250,000 who list their polls and perhaps a little personal property, but never pay the tax. Year in and year out these men are to be found on the lists of "insolvents" reported by sheriffs and tax collectors. Consequently there are 350,000 men of poll tax age who make no contribution to the cost of government, either

state or local, except through the sales tax. We do not favor any program which would remove the tax now paid by these men if it necessarily involves a state property tax or additional state taxes on industry. The property tax is the sole major source of revenue open to the local governments and it should be left to them by the state. And I, personally, am unalterably of the opinion that the sales tax should be continued as a permanent policy.

2. "We request the passage of an act removing from the tax listers the duties of taking the Agricultural statistics. In our opinion this work interferes so much with the tax listing that it has been largely responsible for the loss of a huge amount of property."

The present law requires that the list taker must secure from each farmer the information necessary for the crop census report, as well as list his taxes. I have acted as a list taker, and I can vouch for the fact that it is necessary to devote so much time to the crop census, if the job is done right, that not enough time is spent on the tax listing. The tax listing work suffers, not enough questions are asked, and much tax valuation is lost to the counties. We believe that this crop work should be handled by some independent state or federal agency.

The organized tax supervisors of the state have made the separation of tax listing and the farm census one of the principal points of their legislative program. These supervisors, who have charge of tax listing and valuation, who know how their list takers feel about the crop census, and who can see first-hand the result on tax valuations, ought to know more about it than anyone else.

3. "We request the Legislature to change the time of listing taxes to January first. Thousands of dollars in cotton and tobacco are moved across our state lines because our neighbors have a different listing date. We differ with anyone who thinks that this change will work injury to our farming interests. Farmers have an exemption which will take care of the change."

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es Seek New Laws

ve programs of the County and the League of Municipal Government wishes to emphasize sponsors nor opposes these of legislation. The Instidium through which information is made available to the be welcomed from readers ke issue with the discussion ented, as will contributions ed in articles in this magad be mailed to Box 147,

Legislation Sponsored by the League of Municipalities

By **PATRICK HEALY, JR.**
Executive Secretary, North Carolina League
of Municipalities



"**M**UNICIPALITIES are the redheaded step children of North Carolina," said Mayor Wickes Wamboldt of Asheville at a regional meeting of western North Carolina municipal officials held in that city October 3, 1934. This statement hardly needs interpreting. Mayor Wamboldt was referring to the fact that cities and towns in North Carolina have been neglected over a period of several years.

Many legislators, although honestly attempting to represent the best interests of their constituents, are sometimes not familiar with the problems which confront municipalities with the result that more and more burdens have been placed upon this class of local units. For example, the General Assembly has removed a great part of the total tax burden of North Carolina from the backs of the local governments, and yet cities and towns have not shared proportionately in this relief. In the fiscal year 1928-1929, according to statistics set forth in the report of the North Carolina Tax Commission of 1932, local governments, municipalities, counties and districts bore approximately two-thirds of the total tax burden of North Carolina, the state government bearing the remaining third. Of the total amount, counties and districts bore 51.3 per cent, while cities and towns bore 15.8 per cent. In 1931-1932 the state government had assumed a large part of the total load. The load on counties and districts had been reduced from 51.3 per cent of the total to 39.5 per cent of the total, a *reduction* of 11.5 per cent, while the load on cities and towns had *increased* to 16.4 per cent of the total tax load, an *increase* of six-tenths of 1 per cent. Thus, while the state relieved local governments of 11 per cent of the total tax burden, none of this relief was shared by the cities and towns.

The school and road bills enacted by the General Assembly of 1931 reduced the total property tax levied by all governmental units of the state \$12,280,000, or 20.6 per cent, between 1930 and 1931. Who got the benefit of this? Of the \$12,280,000 decrease resulting from these legislative enactments, counties, districts and townships got reductions of \$11,720,000, while the reduction on cities and towns was only \$560,000.

In 1930, counties, districts and townships levied 76.5 per cent of all property taxes levied in the state. In 1931 they

levied 71.6 per cent of the total, a *decrease* of approximately 5 per cent (even though the state's 15c tax is here included as a county tax). On the other hand, while cities and towns in 1930 levied 23.5 per cent of all property taxes, in 1931 they levied 28.4 per cent, an *increase* of approximately 5 per cent.

Thus, while the total load on property in North Carolina was reduced considerably between 1930 and 1931, it can hardly be said that the cities and towns proportionately received the benefit.

Municipalities Want Relief

Is it small wonder, therefore, that the municipalities are crying for relief? They apparently have been forgotten in the present scheme of things. More and more of their sources of revenue have been eliminated or restricted. The delinquency of real estate taxes is running high. Replies from 49 cities and towns to a questionnaire submitted by the North Carolina League of Municipalities show that 28.8 per cent of the 1933 property tax levied by these municipalities was delinquent as of June 30, 1934.

What is the solution? The solution lies in relieving municipalities from the necessity of having to rely almost exclusively upon a tax on property in order to obtain the income necessary to perform the essential services of municipal government. The restrictions upon sources of municipal income should be removed. The income from privilege and license taxes has of late years been greatly restricted by successive General Assemblies. Why, for example, should the present statute remain in force which prohibits cities and towns from levying a tax upon taxicab companies for the privilege of using city streets in their business? The League of Municipalities at its annual convention in Raleigh went on record as favoring the removal of all legislative restrictions in the levying of special license taxes by municipalities. The removal of these restrictions would greatly aid these units of local government in meeting their obligations more promptly and in lightening the burden upon property. Along this line of sources of municipal revenue, it is interesting to note that in Massachusetts *all* of the income tax collected by the state is returned to cities and towns.

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LOCAL DEBT PROBLEMS

(Continued from page three)

Contacting the Bondholders

To the laymen it would appear not too difficult to obtain the assent of 75 per cent of the bondholders if a plan of adjustment is at all just and fair. As a matter of fact, it is quite a task to locate and contact 75 per cent of the bondholders of a unit. Few of the bonds issued by North Carolina governmental units are registered either as to principal or interest; consequently, the whereabouts of the holders is unknown. In many instances the holders of one issue are scattered from Canada to the Gulf of Mexico and from the Atlantic to the Pacific in the United States with a few scattered over the remaining face of the earth. This and other problems involved in any plan of debt adjustment lead to the question of whether or not a governmental unit should employ an outside agent or manager to carry out its debt adjustment plan. There are firms as well as individuals who specialize in this type of financing and there is little doubt but a plan can be consummated by them in a shorter period of time. Such firms and individuals are constantly in touch with bond owners and dealers thereby speeding up the contacting. Another feature of outside management is that bondholders are often more apt to deal with such managers than with the officials of the unit; this is especially true where the managers are widely known and reputable firms or individuals. The one drawback of outside management is that it makes for additional expense, and many bondholders are prone to ask why a unit cannot make interest payments if it can afford such an elaborate and expensive adjustment plan or program—this question, at times, may prove a bit embarrassing and slightly difficult to answer to the bondholders' satisfaction.

Much of this difficulty would be overcome if the Local Government Commission should be given the authority and sufficient appropriation to act as managers for the local units in the State. Such a move would probably reduce the cost of outside management and at the same time relieve local officials of much worry and work in carrying out a proposed plan. It is possible, however, for the officials of a unit to manage its own debt adjustment program with success, especially where there are but few issues involved and the plan is comparatively simple.

The Problem of Debt Scaling

Few debt adjustment plans proposed to date anticipate a scaling down of either principal or interest. There are two major reasons for this—first, it is a very difficult matter to get a substantial number of bond owners to agree to such a plan; and second, few governmental units relish admitting that they will be unable to meet their obligations in full at some future date, and they do not desire to become involved in long and drawn out litigation and arbitration which such plans inevitably entail. To offer an exchange of a five hundred dollar bond for one of a thousand dollars receives little or no sympathy from the bondholder because he sees no benefit in trading one promise of payment for another of smaller value. However, many bondholders, especially where the unit's finances are in a bad state and the future holds little chance for improvement, are inclined to accept a reduction in interest provided the amount relinquished is used to create and build up a fund for the future retirement of principal. In rare instances bond owners have been known to relinquish all interest for a stipulated period of time. Any official who contemplates requesting bondholders to accept a scaling down of principal should keep this in mind for it is practically impossible to get the assent of a sufficient number of bond owners to make such a plan operative.

What Should Be Done

The question that naturally comes to the minds of officials and interested taxpayers of local units hopelessly in debt and default is "What should we do then?" There is no authoritative answer to such a question, but any unit is able to pay something toward debt service—it is up to the officials and the bondholders to agree as to the amount. One of the best plans devised for hard pressed units is for the unit and its bondholders to agree as to what levy can reasonably be made and collected for debt service; then to pay interest on a pro-rata basis from the money collected from this levy. Such a plan should provide for a percentage of the collections to be put into a sinking fund to retire the bonds at maturity, or to purchase them annually in the open market. Such a plan could fix the interest rate of the bonds so that interest requirements would never exceed the amount estimated to be available, and provide for a lesser pro-rata payment should collections fall below the estimated collections. This insures that there will always be some amount available for retirement of principal. A plan of this nature usually looks far into the future and must provide for a return to full debt service payments once the unit is financially able to do so. There would, no doubt, be many objections raised to such a plan, but all that can be expected of a unit is that it pay the maximum conditions will allow. To those units which cannot arrange some adjustment of their debts there remains but the hope that something will happen in our ever fast moving panorama of political and economic life which may bring a solution to their debt problems. The situation of their bondholders is somewhat comparable to that of the patron of the baseball game in the old rhyme who, upon deciding to request his money back when it rained was advised: "For an answer you'll get, sit down in the wet, and wait till the clouds roll by."

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ELECTION PRACTICES

(Continued from page five)

condition of complete political servitude and economic slavery, spelling the end of representative government in North Carolina.

If there has been a break-down in the morale of our police system, and principally in the conduct of the high office of sheriff, and if there has been a lowering in the general standing and ability of our members of the General Assembly, I verily believe it is due more than anything else to the influence of the absentee ballot law. In the first place, it discourages the most capable men against offering themselves in the primaries and elections for public offices. And in the second place, where such capable men are persuaded to offer themselves, they are too often defeated through the manipulation of the absentee privilege.

I think the suggestions of Major McLendon for limitations upon the rights to absent voting are some improvement, but really the present law, if it could be enforced, is fair enough. But it can not be, nor will any other similar law be enforced, I fear. The highest-minded precinct election Board can not prevent the over-zealous party worker who closes his conscience at election time, from working out ways and means to defeat the spirit and letter of the law. The limitations suggested will eliminate some fraud and corruption, but I think experience has taught us, as the law has been amended from time to time to prevent abuses, and with abuses constantly on the increase all the while, that the only real cure is to repeal the law and take it out root and branch.

I have been sometimes told that the Election laws and the conduct of the elections in the State would finally prove an issue to drive public opinion to our party favor. I have no desire to see it come that way. I would much prefer to eliminate such an issue far in advance, so there may be at all times a state-wide forum in which real public opinion may have a true expression upon all issues.

THE WRIGHT MEMORIAL

(Continued from page six)

among others, the flights of Farmon, Bleriot, C. P. Rodgers, the N.C.-4, Cabral and Coutinho, the U. S Army Around the World Flight, Byrd, Lindbergh, Maitland and Hegenberger and Kingsford-Smith.

Carved in the granite of the west wall is an inscription reading: "From a point near the base of this hill Wilbur and Orville Wright launched the first flight of a power driven airplane, December 17, 1903."

On the east wall is inscribed Pindar's: "The long toil of the brave is not quenched in darkness nor hath counting the cost fretted away the zeal of their hopes. O'er the fruitful earth and athwart the sea hath passed the light of noble deeds unquenchable forever."

Scenery Unsurpassed

Curving stairways, one on either side of the room, lead to the second floor or landing from where an iron stairway

leads to the third landing. From the third landing, there is a spiral stairway going up to the small observation platform at the top of the monument. Words cannot describe the view from the top of the Wright Memorial. To the East, the broad span of the Atlantic Ocean breaking upon a snow white beach dotted here and there with keel timbers of ships, timbers blackened with age and weather, standing as grim monuments to the men who went down to the sea. To the West, Kitty Hawk, green Colington Island and numerous other small islands nestling in the blue-green waters of Albemarle Sound. To the North, a magnificent view of woods, the beach highway and colorful cottages. To the South, the Nags Head woods, sand dunes similar to, but smaller than, the former Kill Devil Hill, the mysterious Fresh Ponds—lakes of fresh water lying on a narrow strip of sand between the salty waters of the Atlantic Ocean and Albemarle Sound—Bodie Island Lighthouse and Roanoke Island with the white frame houses of Manteo's waterfront glittering in the sun. All around is a wide expanse of sand, the whiteness of which is broken here and there with bits of native wire grass and trees, stunted in growth, send their wind twisted branches to the heavens, forming eerie specter-like silhouettes on the white sand.


A Guiding Light

From the observation platform you can inspect the beacon light in the top of the Memorial. The light is a three-way airway light on a horizontal. This beacon, some one hundred fifty feet above sea level will be visible some thirty miles in fair weather. Aside from the beacon are eleven floodlights which will illuminate the monument from all sides at night, making the white granite tower visible for many miles.

This beautiful memorial, perched atop the green Kill Devil Hill completely surrounded by white sand, will give out a guiding light to both the mariners of the sea and air, and sometime in the future, perhaps when the airplane has displaced our slower modes of transportation, you may see the pilot of a giant airliner dip its wings to the beautiful white granite pylon in tribute to the men who made flying possible, a tribute that is so beautifully expressed in this inscription, engraved on the outer walls of the Memorial:

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"UNCLE DAN" TERRY REMINISCES

(Continued from page seven)

the exception of a few months, Mr. Terry has been working at the capitol since '96.

Mr. Terry's title is Superintendent of Public Buildings and Grounds. This title was conferred upon him by Governor MacLean.

A few years ago, while walking under the roof of the capitol, Mr. Terry stepped in a hole and fell into a space above the office used by the Speaker of the House. The space into which he fell was a room, sealed up by the architect of the capitol, David Paton, when the building was finished in 1840, and hidden for almost 100 years! The space, or room, was on the southwest corner of the capitol, and upon investigation Mr. Terry found a similar room on the opposite corner of the capitol. These rooms have since been renovated and are now used by clerks.

Mr. Terry, showing visitors through the beautiful rooms used by the Legislature, loves to tell the story about the governor who wanted to sell the desks used by the legislators, "because they weren't stylish."

An Expert to the Rescue

But somebody who knew something about furniture walked in and saved the day for the State of North Carolina, telling the governor that the desks were of solid mahogany, made of trees brought from South America to New Bern in ships, to Raleigh on wagons, and made into desks at the Capital.

Many of these desks have the original ink wells, with one

compartment for ink and the other for a candle when the legislature was holding night sessions before the days of electricity.

Mr. Terry spins other yarns about the beautiful old building. Especially does he enjoy talking about the young architect, David Paton, who came to Raleigh in 1834 at the age of 33 to complete the building started by W. S. Drummond.

"The Legislature appropriated \$50,000 for the new capitol after the old Statehouse burned in 1831," "Uncle Dan" said, "and Drummond spent the \$50,000 on the foundation of the new building. Then Paton, who had just come to this country from Scotland, was called in to finish the capitol.

"Paton did finish the building, but not until the legislature had appropriated a total of \$531,674.46, almost eleven times as much as the capitol was supposed to cost! And it took seven years to build it!"

Many Prominent Speakers

Mr. Terry has served under many governors, and during the time he has been in charge of the capitol he has built platforms on the grounds for many prominent speakers, including Bryan, Wilson, and Roosevelt, and from within this State, Senator Simmons, Governor Glenn, Charles D. McIver, Governor Aycock, Josephus Daniels and numerous others.

Steam heat was not put in the capitol until 1900, Mr. Terry said, and previous to that date the building was heated by large wood fires. In the old days, many members of the Legislature drove their covered wagons to Raleigh for the session, and some of them slept in their wagons. Early in the morning, "Uncle Dan" stated, these "campers out" would come striding into the capitol, to stand in front of the wood fires and swap yarns until time for the two houses to come to order. There were several barrooms close to the capitol in the nineties, and often members of the Legislature would leave the capitol during some lengthy debate to take a "little snifter" across the street.

Any visitors to Raleigh who want to see this beautiful old capitol, and see it right, would do well to ask "Uncle Dan" to show them around. He loves the capitol with a deep reverence for its antiquity and a true appreciation of its architectural magnificence.

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THE STRENGTH OF THE SALES TAX

(Continued from page nine)

The sales tax, it is claimed, handicaps the sound operation of business. The committee of which I am a member has communicated directly and repeatedly with sixty five of the leading chain stores doing business in North Carolina, and have circularized hundreds of local merchants. I have had personal discussion with scores of merchants, both those in my own city and others elsewhere. The preponderance of opinion is that the sales tax has not hurt retail merchandising in North Carolina. Merchants frankly admit that the collection and bookkeeping involved has been troublesome, and entailed some expense. But it has not hurt business. I would not make this statement if I could not prove it. If the publishers of POPULAR GOVERNMENT gave me permission, I could fill this entire issue with authoritative, documentary proof of this

assertion from the executive offices of stores—both chain stores and local—representing a large proportion of all the retail merchandising done in this State. These letters are for the most part addressed to our committee in confidence without permission to publish, but we will submit them to any properly constituted committee of the General Assembly for the personal use and guidance of such committee.

We Best Virginia

In eleven out of seventeen months since North Carolina adopted the sales tax the percentage of retail sales improvement was greater in North Carolina than it was in Virginia, which as yet has no similar sales tax. The average volume of increase in North Carolina over the entire seventeen months was approximately twenty-five per cent greater than the average volume of increase in Virginia.

Ask any merchant whether his Christmas business was better in 1934 than it was in 1933 and 1932. Improved purchasing power of the people is, of course, responsible and is striking proof that when the people have money to spend, they will spend it regardless of the sales tax.

The opposition has never presented the sales tax question fairly to the people of this State. I should like to explain that statement, by saying that the sales tax can never be properly presented without presenting it with an alternative. One cannot ask "Do you want the sales tax?" without at the same time asking another question. "Do you want the sales tax or a land tax? Do you want the sales tax or do you want the schools returned to the counties? Do you want the sales tax or do you want your child's school term shortened? Do you want the sales tax or do you want your teachers paid with promises? Do you want the sales tax or do you want your State's credit to collapse?" The sales tax together with other taxes averted these conditions. No man can successfully deny it, for no man has yet said what he would have used in place of the sales tax.

Some allege that the sales tax has been injurious to the farmer. If this is so, why did the Master of the State Grange wire me for publication last spring as follows:

"You may say that the sales tax is officially endorsed by E. S. Vanatta, Master of the North Carolina State Grange."

If the sales tax is injurious to the farmer, why did the State Grange, which is composed of practical farmers, in their annual convention at Lumberton September 28th, 1934, emphatically indorse the fiscal policies of the State and the State Association of County Commissioners take the same action August 16th, 1934? Ask the next farmer you see whether he would like to have the county take over the schools and bus system, or continue with the sales tax. We are told in pitiful tones that the tenant farmer, who owns no land, has to pay a sales tax. After all, isn't he entitled to citizenship, and to participate in the support of the State from which he benefits so largely? He votes, he rides, his children attend school, he enjoys police protection—why shouldn't he pay a few pennies tax? Or should the State relieve him of this, take away his rights and privileges and make a complete serf of him? Let the tenant farmer answer.

The anti-sales taxers are now claiming that they have a majority of the General Assembly pledged to abolish the Act . . . that the sales will be defeated! Inasmuch as their prophecies usually work in reverse, this probably means that the sales tax will be re-enacted early in the session.

REPEAL THE SALES TAX

(Continued from page eight)

by a single state is totally destructive in its local effect and will drive millions of dollars of business from the merchants of any state where it operates." The tax creates sales resistance and discord upon the part of the consumer and subjects honest merchants to unfair competition with dishonest and fly-by-night dealers who neither collect the tax nor pay the state on their gross sales. And the State does nothing to this latter class, but rigidly enforces the law upon substantial merchants.

The tax is retarding recovery for it is weakening rather than stimulating the weakest link in our economic order, namely, distribution. If a deliberate attempt were made to formulate a measure which had for its object the absolute defeat of the National Recovery Program, no legislation would accomplish that result more effectively than a retail sales tax in every State.

Handicaps Business in the State

The tax makes the merchant the uncompensated tax collector for the State and this often adds to his overhead operating expenses for it necessitates extra bookkeeping, clerk hire, etc. I wonder how real estate dealers, doctors, lawyers, and other professional and business men would relish the idea of becoming tax collectors for the state without compensation and have the State hold them strictly responsible for the collection of the tax.

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Nothing could possibly be a greater handicap to business than this inequitable and indefensible sales tax. It is a ruinous tax policy viewed from any angle, and its perpetuation will impoverish the State and make it one of the most backward in the American Union.

The Schools and the Budget

Champions of the tax are making certain claims for it to which I wish to reply briefly.

The first claim is that the sales tax saved the schools. That is absolutely erroneous. Why don't they say that the income tax or the franchise tax saved the schools. Both of them are turning into the school fund as much money as the sales tax. The sales tax does not go to the school fund but to the general fund of the state. About sixty per cent of the general fund is allocated to schools. The state appropriated \$16,000,000 for an eight-months school term. During the first full year of its operation the sales tax turned into the schools less than enough money to operate the schools for two months.

The tax has been the means of further reducing the already meager salaries of school teachers and it has done more to cripple the schools than any other thing. No property, real or personal, pays a penny of tax to support the schools, and it will be a sorry day for the schools when they depend for maintenance upon such an unreliable and inadequate source of revenue as a sales tax.

Another erroneous claim made for the tax is that it balanced the budget and preserved the state's credit. It may

have helped in both instances, just as any other tax did; but the credit for balancing the budget and preserving the state's credit should go to the underpaid school teachers and state employees, for their salary cuts amounted to more than the sales tax is producing. School operation alone was reduced more than \$8,000,000 annually. The sales tax caused a deficit of nearly \$2,500,000 and in order to make up this sum and balance the budget, appropriations already curtailed were further cut by \$1,000,000, another million was diverted from the highway fund to the general fund, and a sizeable sum was belatedly collected from the old state property tax.

Burdened Average Property Owner

A third claim for the sales tax made by its superficial champions, particularly by the real estate boards, is that it saved property owners the sum of \$11,000,000. How any intelligent man can make such a statement is beyond my comprehension. At best, the sales tax could only have saved property owners 15 cents on the \$100 of assessed valuation of property, for that was all the tax the State was levying on property. The 15 cents levy was only producing \$4,000,000 and that is the maximum amount the sales tax could have saved property owners. And who received the relief? Not those without property because they got no relief at all and are forced to pay the sales tax. Not the man with \$10,000 on the tax books, because if he spends more than \$500 a year he pays more than the \$15 he saves in property tax. Not the man with \$20,000 on the tax books, because if he spends more than \$1,000 a year he pays more than the \$30 he saves in property tax. Obviously the sales tax relieves only those "BIG" property owners whose holdings mount up to \$50,000 or more. Of these there are only a few. Of the "little fry" there are many.

The sales tax was originally enacted through the influence of wealthy and powerful corporations desirous of shifting the tax burden from themselves to the masses. Corporations do not pay sales taxes, but individuals working for those corporations do. While the factory receives relief its underpaid employees foot the bill, and to the extent that the tax is taken from the landlord it is passed on to his impoverished tenants.

These same corporations, having saved thousands of dollars by virtue of the sales tax, together with a few misguided individuals and selfish organizations like the Real Estate Boards, will demand that the 1935 Legislature reënact the sales tax even though the tax was enacted as a strictly temporary and emergency measure for a period of two years only; but the Merchants Association in behalf of the consumers of the State will request the General Assembly to blot from the statute books "North Carolina's biggest social and economic blunder," the general sales tax. The Association rightfully contends that there is no justice in a tax policy which says to the rich that their estates, money, bonds and wealth are exempt from state taxation and then, as the shades of evening fall and the blind beggar winds his weary way homeward and stops at some store to make a few small purchases to keep body and soul together, says to him, "You must pay a tax on your meager purchases." Truly, as the State Tax Commission said, "The sales tax stands between the hungry and every loaf of bread."

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ANTI-CRIME ACTIVITIES

(Continued from page eleven)

in each county to which they go to hold a term of criminal court. During the coming year we hope to conduct one or more of these schools in every county in the state. These local meetings of Law Enforcing Officers will culminate in the summer of 1935 in a statewide meeting of all crime preventing and law enforcing agencies in North Carolina under the auspices of the Law Enforcing Officers' Division of The Institute of Government. The Institute of Government acknowledges with grateful appreciation the invaluable aid in this work of J. Edgar Hoover and his able assistants in the Bureau of Investigation in the United States Department of Justice.

The growing national sentiment for coördination of law enforcement agencies thus finds North Carolina with the ground work already laid. North Carolina not only finds itself in sympathy with the national sentiment, but can point to definite achievement in the way of research and of statewide and local schools for law enforcing officers. It can point to a definite place, already approved by numerous officers and citizens, for coördination of anti-crime activities. Thus is the opportunity presented to this state to preserve its leadership in a field where its efforts must necessarily attract widespread attention.

COUNTIES SEEK NEW LAWS

(Continued from page twelve)

This is another point which the tax supervisors, closely in touch with the situation as they are, have made a major part of their legislative program. As pointed out in the Association's resolution, the effect of shifting our tax listing date from April 1 to January 1 will not be to discriminate against the farmer. To begin with, the average farmer has very little, if any more personal property on hand on January 1 than he does on April 1. By January 1 he has sold most of his money crop. He is allowed three hundred dollars worth of personal property tax free; and he is also allowed to deduct his debts from the value of any of his crops he still has on hand as well as from the value of his fertilizer. His growing crops are completely tax exempt. Hence a shift in the tax listing date to January 1 cannot seriously hurt the farmer.

On the other hand, under the present system, owners of large stores of cotton, tobacco and other movable property keep it in North Carolina until after January 1, when Virginia lists taxes. It is then moved to Virginia before April 1, when North Carolina lists taxes. Thus it is taxed in neither state. Another advantage of January 1 as a tax listing date is that the list takers can secure more accurate inventory information at that time, thanks to the prevalence of the custom of taking a physical inventory at the end of the calendar year.

4. "We request the Legislature to allow the counties to manage their own affairs by the passage of an act allowing them to consolidate or abolish those offices which in our discretion may give our counties a less expensive government and hence best serve the people."

In this resolution the commissioners do not intend to ask that the Legislature authorize them to abolish the offices of Clerk of Court, Sheriff or Coroner, all of which are guaranteed by the Constitution. The commissioners are asking that, since they must take the blame if county government is inefficient, they be given the power to make it efficient by abolishing or consolidating offices when local conditions justify such action. The legislature freely exercises a similar power with respect to the state government, and it should permit the commissioners this power with respect to county government. Since the same people elect both legislators and commissioners, the latter should be as worthy to be trusted with power as the former.

5. "We request the passage of an act which will allow County Commissioners to appoint tax collectors and to fix the salaries of all county officials but to use as a maximum salary the present salary which was fixed by the Legislature. The passage of this act will remove the necessity for the consolidation of counties and will result in greatly increased efficiency and decreased expense."

Here again the commissioners are asking for the power to remedy conditions for which they are often blamed. This resolution is really a companion piece to the preceding one. It would give the commissioners no power to increase the cost of county government which must be borne by the taxpayer, but would give them authority to reduce the cost. The commissioners are willing to assume the responsibility involved in this if the legislature will let them.

(Continued on page twenty)

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6. "We request that notice be given to the County Commissioners of any bill which affects the revenues of the county or which increases the expenses of the county and forces an unbalanced budget. There are numerous instances where county budgets have been unbalanced by the passage of legislation increasing the expenses of a county without providing any revenue to take care of the increase."

Not many years ago, in my own county of Warren, a person who had been deputized to assist in an arrest presented a hospital bill for \$400. The commissioners regarded the bill as no proper charge against the county and refused to approve it. It was presented twice again and refused both times. The legislature then passed a bill requiring the commissioners to pay it, and the county's budget was unbalanced to that extent.

In another county the commissioners had refused to purchase some filing cabinets requested by one of the county officers. The cost of the cabinets was about \$2,500, and the commissioners did not think so large an expenditure was justified. In this case also the legislature, by special act, required the county to make the purchase and thus threw the county budget sadly out of balance, as no additional revenues were provided.

I could cite many other instances of the same type of legislation. Most of these laws are not brought to the attention of the commissioners until after they have been passed. So we are asking that before any such local laws are passed in the future the commissioners of the particular county be notified and given an opportunity to appear and be heard. It is simply a request for better cooperation between those

who are supposed to legislate primarily for the state and those who are supposed to legislate primarily for the counties.

7. "We request that the money now diverted from the gasoline tax to the State's General Fund be set aside in the hands of the State Treasurer for the purpose of retiring county road bonds of the several counties; the amount allowed each county to be determined by the area, population and county road mileage. This is in no sense a proposal on the part of this Association that the state assume the entire county road debt as some of the counties have paid a greater amount of their indebtedness than others."

Present indications are that determined efforts will be made to have a large amount of highway funds diverted to the general fund to be used for purposes having nothing to do with highways. Indiscriminate diversion of these highway funds to general purposes may well result in endangering the federal grant to the state for highway construction. However, the commissioners, by their resolution, are not seeking for diversion of these funds to general purposes, but only that \$1,000,000 per year be used to retire county road bonds. The retirement of these bonds is as legitimate a charge against the highway fund as is the retirement of the state road bonds. Highways are highways, whether paid for, in the first instance, with money borrowed by the state or money borrowed by the counties.

8. "We request the passage of better tax foreclosure laws. The present law is a patchwork of several bills and is very unsatisfactory."

For some time the need for a simplified tax foreclosure law has been fairly well recognized. The 1933 legislature evidenced dissatisfaction with the present law and even passed a new law which, however, it eventually repealed under circumstances which left a wake of confusion. At our request, Professor Malcolm McDermott, of Duke University, has been engaged for some months in drafting a new law to be submitted to the 1935 legislature.

With a word about consolidation of counties I am done. It would seem that the enormous amount of property discovered recently that has been escaping taxation for years, would convince the rabid consolidationists that it is possible to administer a smaller unit with more efficiency and prevent this evasion. A study of the debts of our local governments will also reveal that the smaller units have done better than the large ones not only with reference to debt creation but with reference to paying debts. Most of us think that if a county falls below five million dollars in tax valuation it should be consolidated. It might be well even to raise this limit to seven and a half million dollars in tax valuation, unless there are some special circumstances.

It will be found mighty hard to convince the folk in the far east and the far west that the representation of the industrial middle of the state should be increased more than fifty per cent by consolidation while theirs is reduced in proportion. We simply "ain't a'go'in' ter do it."

CITIES SEEK NEW LAWS

(Continued from page thirteen)

Special Motor Taxes

Another place where the municipalities have been forgotten, where they have truly been "the redheaded step children of North Carolina" is in the matter of gasoline and

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automobile license taxes. Not only are local units of government required to pay a tax on gasoline consumed in local government motor vehicles, such as police cars, fire trucks, etc., but also they do not receive one nickle of the gasoline tax, 70 per cent of which is estimated to be paid by residents of cities and towns. At least half of this 70 per cent contribution should be looked upon as municipal revenue, and should be turned back to the municipalities on the basis of street mileage or population. These units do not wish to see the State Highway system go to ruin nor do they wish to see the state default on its highway bonds, and yet they do desire equitable treatment in this matter of highways. Illinois cities receive one-third of all state collected gasoline taxes for use on city streets. Why should the city dweller of North Carolina pay a real estate tax for the construction and maintenance of the street in front of his home and in addition pay a tax on the gasoline which he consumes in his automobile to ride over the street? Why should not some of this gasoline tax be used for the construction and the maintenance of this street? Although the state has taken over the county highways, why should cities and towns still be required to maintain the main thoroughfares through their corporate limits which are used by motorists from all parts of the state?

Progressive municipal officials are interested in seeing the cost of living reduced in their communities. A 5 per cent reduction in electric and gas rates means as much to the average home-owner as a 20 per cent reduction in the city tax rate. Much has been written and spoken about curtailment of municipal budgets and expenditures, but the bankers and budget committees have said little or nothing as to reduction of utility rates. When we consider that the public pays in local utility rates about 10 per cent more in money than it does in local taxes, there is no logic in the predominance of the issue of governmental costs to the absolute exclusion of the issue of utility charges. Adequate regulation of utilities is desired by municipal officials, and the League of Municipalities has gone on record as favoring state appropriation of sufficient money to the State Utilities Commission to enable that body to conduct a thorough study of utility rate structures of all classes in the State of North Carolina. The recent reduction in telephone rates of the Southern Bell Telephone and Telegraph Company came as a welcome relief to city dwellers, and the Utilities Commission is to be commended for its action in this matter. However, the efforts should not stop there. The surface has only been scratched. A thorough and continuing study should be made of all utilities. Perhaps a full-time investigation bureau should be set up in connection with the Utilities Commission with a qualified attorney at its head, to be known as Public Defender or People's Counsel, who would be responsible to the Utilities Commission. This bureau would conduct thorough inquiries into the rate structures of utilities and would bring actions before the Utilities Commission on behalf of the people for rate reductions.

Unemployment Relief

Due to the low standard of relief being given to the unemployed in North Carolina in comparison to the states throughout the nation, the Federal Government has threatened to withdraw some of its appropriations to this state unless its appropriation is supplemented in a sufficient amount to raise the relief standard substantially. Obviously, the local units are unable financially to meet this demand. If the state does

not appropriate a substantial amount for unemployment relief to meet the appropriations from the Federal Government, then the whole problem of caring for the unemployed will be thrown right back in the laps of the municipalities, the one class of governmental unit which is least able to carry the burden. The Executive Committee of the League is strongly urging a sufficient appropriation by the state.

Municipal Administration

Certain matters with regard to the administration of municipal governments have been given thoughtful consideration by many municipal officials. Included among these is a suggestion that through the Local Government Commission a uniform accounting system be established in all local governments in North Carolina and a full-time department be maintained to audit municipal accounts.

A suggestion has been made by some prominent municipal officials that legislation be adopted levying a 10 per cent tax on fire insurance premiums, the revenue from which to be used for the maintenance of city fire departments. Does not the benefit to fire insurance companies increase in proportion to the increased efficiency of city fire departments?

Other legislative needs which the municipalities have gone on record as favoring are such matters as legislation making water rents a lien against the property served and repealing present laws to the contrary; the amendment of existing laws to require fidelity bond for all tax collectors, and to relieve tax collectors and bondsmen of financial responsibility for uncollected taxes and deposits.

(Continued on page twenty-four)

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Key to Abbreviations

(A.G.) Attorney General.
(D.Ed.) Department of Education.
(L.G.C.) Local Government Commission.

I. Ad valorem taxes.

A. Matters relating to tax listing and assessing.

80. Deductions from solvent credits—money borrowed on insurance—loan on adjusted compensation certificate.

(A.G.) This Department has held that amounts borrowed on insurance policies, which constitute a lien upon such policy for repayment, and which in case of maturity of the policy are to be deducted therefrom, do not constitute such debt as may be deducted from solvent credits, under the Machinery Act requiring listing of solvent credits for taxation. In my opinion a loan received by a world war veteran on his adjusted compensation certificate would come under the same rule.

B. Matters affecting tax collection.

6. Commissioner's commissions.

(A.G.) It is not our understanding that the Commissioner appointed in the order of sale is entitled to charge any commissions until the sale has been made, although he may have gone to the trouble of advertising. This commission is a percentage of the purchase price of the land, and is to be deducted therefrom, and is not to be added to such purchase price in the nature of costs.

36. Tax foreclosures—estates by the entirety.

(A.G.) Where the land is held by the husband and wife as an estate by the entirety, it is my opinion that the land would not be subject to the personal property tax of either spouse under a tax foreclosure proceeding. It is also my opinion that the fact that the land was listed in the name of the husband does not prevent the wife from showing in such foreclosure proceeding that it was an estate by the entirety and not subject to the lien of the personal property tax of the husband.

37. Tax foreclosure—wife's property listed in husband's name.

(A.G.) Where property is owned by the wife and listed in the husband's name, in my opinion, under a foreclosure proceeding, the wife would not be estopped

(Material for this issue contained in departmental letters from November 1st to December 15th)

Prepared by Malcolm Seawell



from proving that the property was hers, and, if successful in this, it is my opinion that either the wife or a mortgagee would be entitled to pay the tax on the land itself, and thus relieve it of the burden of personal property tax of the husband.

38. Tax foreclosure—redemption.

(A.G.) Under the Tax Foreclosure Act, C. S. 8037, paragraph 2, it is required that six months be given to a person served with a summons by publication to defend. In my opinion, one who has received personal service is not included within that privilege, and the rights of such a person can be foreclosed before the expiration of the six months period. However, it is not safe for the commissioner appointed by the court to execute and deliver the deed to the purchaser under six months, as the outstanding right of some person served by publication might defeat the title.

65. Tax collection—garnishment.

(A.G.) In answer to inquiry, "How many years back may a Town Tax Collector apply attachment and garnishment proceedings, as found in section 8004 of the Consolidated Statutes, for the collection of delinquent taxes?" Chapter 181, Public Laws 1933, sec. 7, "outlaws" or bars the collection of taxes prior to the year 1927. With that exception I know of no law limiting the time of the application of the garnishment proceeding, in accordance with C. S. 8004.

III. County and city license or privilege taxes.

A. Levy of such taxes.

40. License tax on peddlers—Rev. Act, sec. 121.

(A.G.) Subsection (f) of section 121—the peddler's tax—exempts from the application of that act those who are engaged in peddling and selling articles of their own individual manufacture. In my opinion this would permit the delivery of articles of such manufacture from one's own car.

48. License tax on oil companies—Rev. Act, sec. 137.

(A.G.) Where there is an oil distributor who sells and delivers his products within a city but has his plant and warehouse outside the city limits, the distributor would not be liable for a city license tax, the business being located outside the city. Section 137 provides in part as follows: ". . . but cities and towns in which there is located an agency, station or warehouse . . . may levy the following tax. . . ." From this we do not believe the company with its business located outside the city would be liable for the tax.

52. License tax on coal dealers—Rev. Act, sec. 112.

(A.G.) Section 112 of the Current Revenue Act levies a tax on coal and coke dealers "for each city or town in which coal or coke is sold or delivered." The tax is graduated according to the population of the city or town in which such business is carried on. No reference is made therein to a place of business. It further provides that cities or towns may levy a tax not in excess of that levied by the State.

(A.G.) A number of persons buying coal cooperatively and having it consigned to one of them, and upon arrival divided amongst them according to their interests, are not subject to the tax on coal dealers.

IV. Public schools.

B. Powers and duties of counties.

16. Application of supplementary funds.

(A.G.) In my opinion, where money has been collected prior to 1931 as a county supplement to the schools, and for the purpose of maintenance of the schools, the funds so collected may now be used to supplement the State appropriation for maintenance of the schools. Where funds have been collected within the limits of the county supplementary budget, and where State appropriation is not involved, in my opinion, transfers may be made from one object to the other, with the approval of the boards.

17. County-wide funds—distribution.

(A.G.) A part of the School Machinery Act of 1933 is as follows: "All county-wide school funds shall be apportioned to county and city administrative units on a per capita basis." I have reached the conclusion that the court in interpreting this statute would hold that county administrative units would be entitled to share in all county-wide funds, relating to general control, on a per capita basis.

30. Assumption of district debts by county.

(A.G.) Where a county assumes the bonded indebtedness of a special district, I am of the opinion that any proposed addition to the physical properties of the district schools should be brought to the attention of the county Board of Commissioners, which controls the funds of the county.

41. Treasurer's bond.

(D.Ed.) Where a treasurer has been appointed to sign school warrants and where \$1,000 was borrowed from the Literary Fund and a bond of \$2,000 was required and given, such bond must be renewed although the treasurer now handles only \$757 sent in four warrants.

60. Aid to indigent students.

(D.Ed.) The present school law does not provide aid for indigent pupils from State funds. This places the entire responsibility upon local communities. If there has been no current expense tax levy and the financing of the current expense supplementary budget is from fines, forfeitures, etc., I think the proper procedure would be to secure the approval of the State School Commission for such sum of money as is necessary to provide books for indigent children.

F. School officials.**2. County Board of Education—vacancies among nominees.**

(A.G.) Where one of the nominees for the Board of Education has resigned, the procedure as laid down in Section 12 of the School Code, Ill C. S. 5412, is to have all nominees for membership on the County Board of Education certified to the Superintendent of Public Instruction, who then transmits the names to the Committees of the General Assembly on Education. The selection is then made by the General Assembly. Whether or not C. S. 6053, being sec. 114, pamphlet copy of the Election Law, applies, so as to permit a nomination by the party committee and having this certified to the General Assembly is, I think, for determination of the General Assembly itself.

40. Superintendent of Public Welfare—school attendance.

(D.Ed.) The responsibility of Superintendents of Public Welfare in the matter of school attendance has not been modified in any way by recent legislation. The only thing that has happened is that the State no longer participates in the salary of this officer.

I. School property.**20. School bus—title when bus given to school.**

(A.G.) If persons buy a school bus and transfer title to the school, the title to the truck is in the State. If they do not transfer title, then the title to the bus is still in the individuals.

V. Matters affecting county and city finance.**D. Sinking funds.****5. Purchase of bonds with sinking funds.**

(A.G.) The law permitting the investment of sinking funds in securities contemplates that the securities may be bought at market price. Therefore, it is legitimate to buy them at prices exceeding par value.

P. Securing local funds.**10. Security furnished by local banks.**

(A.G.) I do not think that the Federal Act providing for \$5,000 bank insurance guarantee to depositors supersedes the State law respecting the deposit of county funds. The State statute permitting deposit of county funds in a bank guaranteed under Federal Act uses the term "in full"; this might be construed to make such statute inapplicable where the guarantee is "not in full"—that is, where it does not entirely cover the deposit. Certainly to the extent that the insurance provided under the Federal Act does not cover the deposit, the usual depository security under the State law is required. A county having its funds deposited in several accounts, either in conformity with some statute or for convenience in bookkeeping, is not entitled to have the cumulative protection of \$5,000 on each account, but only for the aggregate. Only depositors who have deposits in different capacities may have them so protected.

VII. Miscellaneous matters affecting cities.**K. Appropriation for a public purpose.****10. Appropriation for a school grandstand.**

(A.G.) In answer to the question, "Can the Board of Aldermen of a city make an appropriation to help in building a grandstand for the city schools, such appropriation to come out of funds already on hand?" I am of the opinion that the City Board does have the right to make the appropriation. There is no question here of imposing a special tax for this purpose, but simply of using funds already in the treasury for a public purpose.

VIII. Matters affecting chiefly particular local officials.**A. County Commissioners.****15. Bond of tax collector—personal bond acceptance.**

(A.G.) In my opinion the Board of Commissioners can accept the personal bond for treasurer-tax collector under Chapter 53, sec. 2, Public Laws of 1931.

30. Authority of County Commissioners under C. S. 1297.14.

(A.G.) It is not the duty of the State to furnish an office for the County Superintendent of Schools. While the State, in its corporate capacity, is furnishing the money for practically all the expenses of the eight months school term, some obligations still remain on the county. One of these undoubtedly is to furnish the County Superintendent with an office. Where the County Board of Education has no funds for the purpose, it would seem to be the duty of the Board of County Commissioners to provide such an office, acting, of course, under its general authority under C. S. 1297.14 to control the property of the county.

40. Annual statement.

(A.G.) C. S. 1312, 1313, 1314 and 1316, relating to a County Finance Committee, have nothing to do with the audit of county affairs provided for in C. S. 1334 (77) to 1334 (81); and the appointment of the County Finance Committee, and examination by them, will not excuse the failure to have the county finances audited as provided in the latter sections. Section 1311, of the Consolidated Statutes, requiring the publication of an annual statement, is still in force.

B. Clerks of the Superior Court.**35. Deputy clerk—bond.**

(A.G.) A Deputy Clerk of the Superior Court is not required to give bond, but the Clerk of Court is liable for any malfeasance or nonfeasance in office by the deputy.

70. Entries on the judgment docket.

(A.G.) I am of the opinion that C. S. 617 authorizes entries of payment or satisfaction on the Judgment Docket by one authorized to receive such payment, such entries, of course, to be witnessed by the Clerk or a Deputy Clerk. It is almost a universal practice.

C. Sheriffs.**20. Bond for tax collections.**

(A.G.) Without having any very sure opinion about it, we have heretofore advised inquirers that bonds for State taxes should be executed by the sheriff. We have also suggested that possibly a \$1,000 bond would be sufficient.

D. Register of Deeds.**80. Marriage license.**

(A.G.) The Register of Deeds does not have the right to issue marriage license

in blank, signed by him, to be used as occasion may require by others, whether or not such others may be public officers, such as justice of the peace. I think that the law contemplates that the license shall be issued by the Register of Deeds or by his regularly appointed deputies, this to be done upon the application and inquiry as required by the statute.

(A.G.) C. S. 2500, f. requiring certificates of health from an applicant for marriage license, was repealed by Chapter 12, Public Laws of 1933, and there was substituted for it a provision (C. S. 2500, g) requiring the groom to file an affidavit setting forth that he does not have active T. B. or any venereal disease, and has not had either of said diseases for two years prior thereto. If the applicant wishes to give a certificate in lieu of such affidavit, as required under the old law, he may do so. No certificate or affidavit is required in case of the girl.

E. Coroners.

10. Reports and inquests—"further investigation."

(A.G.) I am of the opinion that under Sub-section 7 of section 1020, C. S., the Coroner would be required to make such further personal investigation as he may be directed to do by the Solicitor. However, sub-section 1 provides that the Coroner shall not proceed to summons a jury if he shall be satisfied from his personal investigation that the death of the deceased was from natural causes or that no person is blamable in any respect in connection with such death. Therefore, if after such additional personal investigation is made, by direction of the Solicitor, the Coroner is of the opinion that no jury need be summoned, he may so find and make such finding in writing as part of his report.

L. Local law enforcement officers.

30. Slot machines.

(A.G.) By C. S. 4427, et seq. it is unlawful to operate anything in the nature of a lottery. By some of those sections it is specifically declared unlawful to operate slot machines or punchboards which do not return the same thing in market value each and every time operated. It is the duty of police officers, when they know of violations of the law, to take out a warrant for the guilty party. In addition any individual may take out a warrant.

N. Mayor.

10. Mayor's Court—removal of causes.

(A.G.) A Mayor is authorized, as *ex officio* justice of the peace, to try those violations of the State law which are within the jurisdiction of a justice of the

peace, and which take place within the territorial limits of his jurisdiction. A removal of the cause from him to some other justice of the peace, upon motion of either party, is not authorized under the law. However, in the original instance he may have made his warrant returnable before another justice of the peace, and, in my opinion, if he has any good reason, he may send the cause to a justice of the peace for trial, although he may not be made to do so upon motion.

IX. Double office holding.

30. Secretary-Treasurer of National Farm Loan Association.

(A.G.) It is my opinion that the offices of Clerk of the Superior Court and Secretary-Treasurer of a National Farm Loan Association are incompatible, and are of such nature that they cannot be held by the same person.

31. Game Warden.

(A.G.) I am of the opinion that a State Deputy Game Warden is forbidden by the Constitution to serve as United States Deputy Game Warden, whether or not there is compensation for acting in the dual capacity.

32. County Auditor.

(A.G.) I am of the opinion that the office of County Auditor is such an office as is contemplated in the Constitutional provision against double office holding. The office of Mayor is also such an office.

33. County Physician.

(A.G.) The position of County Health Officer is an office, within the meaning of the Constitution. The position of County Physician, which is sometimes established in lieu of Health Officer, is not a public office. I think the same thing is true in respect to the position of physician to a State Prison Camp.

CITIES SEEK NEW LAWS

(Continued from page twenty-one)

Interest On Municipal Deposits

Another matter affecting municipalities in North Carolina is the fact that there is no legislation requiring banks to pay interest on municipal or county deposits. Under the Federal Glass-Steagall Banking Act, banks are not required to pay interest on public deposits unless state law requires such payment. It appears there is need of legislation on this particular point in North Carolina.

There are other matters regarding state legislation which the municipalities will present to the General Assembly. On January 23 a Legislative Conference of municipal officials will be held in Raleigh. At a banquet that evening all members of the General Assembly will be invited, so that they might hear the final definite legislative program presented by the municipalities of North Carolina, and so that they might be the guests of these municipalities in listening to general municipal problems outlined by some of the best speakers in the country.

The one item in which cities and towns are most interested at the present is the matter of municipal sharing in gasoline taxes, so that some of these highway funds may be used on streets within municipalities, thus relieving property of some of that burden. Perhaps a more fundamental matter which is engaging the attention of many officials at this time is the whole question of local self government. Many believe that an amendment to the State Con-

stitution should be adopted giving local governments more "home-rule" powers, that is to say, when a city adopts a charter of its own choosing, it may have constitutional assurance that such a charter will not be altered or amended without the consent of the people residing within the city.

These and other legislative needs of cities and towns will be fully discussed and a complete legislative program will be adopted for presentation to the General Assembly on January 23.

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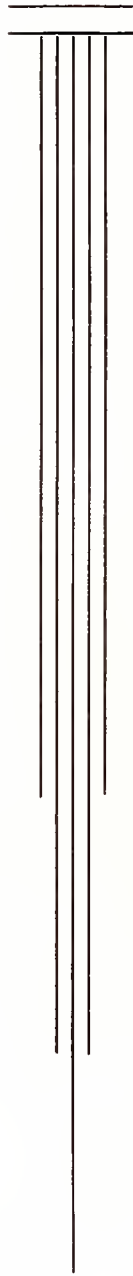
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