

SIXTY-NINTH DAY

AFTERNOON SESSION.

MONDAY, May 6, 1912.

The Convention met pursuant to adjournment, was called to order by the president, and opened with prayer by the Rev. Dr. Louis B. Bradrick, of Columbus, Ohio. The journal of yesterday was read and approved.

MOTIONS AND RESOLUTIONS.

Mr. Lampson offered the following resolution:
Resolution No. 118:

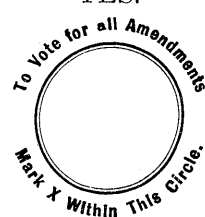
Resolved, That the foregoing amendments to the constitution shall be submitted to the electors of the state at an election to be held on the _____ day of _____, one thousand nine hundred and twelve, in the several election districts of this state. The polls at said election shall be open at five thirty o'clock a. m. of said day, and remain open until five thirty o'clock, p. m. of said day; the said election shall be conducted and the returns thereof made and certified to the secretary of state, as provided by law for annual elections of state and county officers. Within twenty days after such election, the secretary of state shall open the returns thereof, in the presence of the governor; and if it shall appear that a majority of all the votes, cast at such election, on any of said amendments, are in favor of such amendment or amendments, then the governor shall issue his proclamation, stating that fact, and said amendment or amendments shall become a part of the constitution of the state of Ohio, and not otherwise. That said amendments submitted shall be numbered in the order in which the proposals were adopted by the Convention on second reading, and each amendment shall be designated by such number and a title which shall suggest its subject matter. Said proposals with the number of the amendment corresponding thereto are as follows, to-wit: 54 (1); 118 (2); 100 (3); 151 (4); 91 (5); 2 (6); 184 (7); 236 (8); 93 (9); 212 (10); 163 (11); 5 (12); 249 (13); 62 (14); 64 (15); 242 (16); 122 (17); 209 (18); 24 (19); 7 (20); 261 (21); 309 (22); 169 (23); 72 (24); 304 (25); 241 (26); 166 (27); 322 (28); 252 (29); 272 (30). The ballots at such election shall be printed in the following form, with each amendment designated by number and title thereon; those voters in favor of all of said amendments may vote for all of said amendments by placing an X in the circle at the top of the ballot, or by placing an X in the space before the word "For" in each and every title; those voters opposed to all of said amendments may vote against the same by placing an X in the space before the word "Against" in each and every title; those voters who desire to vote for certain amendments and not for other amendments may place an X before the word "For" in the title of such amendment or amendments; those voters who desire to vote

against certain amendments and not against other amendments may place an X in the space before the word "Against" in the title to such amendment or amendments. Ballots marked with an X within the circle at the top of the ballot shall be counted for all of said amendments, except such amendments as may be erased or marked within the space before the word "Against" in the title. Ballots not marked shall not be counted for or against any amendment. Ballots so marked as to clearly indicate the intention of the voter shall be counted.

The following is the form of ballot with the designations and titles to amendments thereon:

CONSTITUTIONAL AMENDMENTS.

YES.



To vote for certain amendments only, mark X in the space at the left of the word "For" in each title. To vote against any amendment or all amendments, mark X in the space at the left of the word "Against" in the title of each amendment you desire to vote against.

1.	ARTICLE I, SEC. 5 FOR Reform of Civil Jury System.
	AGAINST Reform of Civil Jury System.
2.	ARTICLE VIII, SEC. 1. FOR State Bond Limit for Good Roads.
	AGAINST State Bond Limit for Good Roads
3.	ARTICLE IV, SEC. 9. FOR Abolition of Justices of the Peace in certain cities.
	AGAINST Abolition of Justices of the Peace in certain cities.
4.	ARTICLE XV, SEC. 9. FOR License to Traffic in Intoxicating Liquors.
	AGAINST License to Traffic in Intoxicating Liquors.
5.	ARTICLE X, SEC. 1. FOR Woman's Suffrage.
	AGAINST Woman's Suffrage.

Form of Ballot Submitting Amendments to the People.

6.	ARTICLE II, SEC. 1. FOR Initiative and Referendum.
	AGAINST Initiative and Referendum.
7.	ARTICLE IV, SECS. 1, 2, 6. FOR Reform of Judicial System.
	AGAINST Reform of Judicial System.

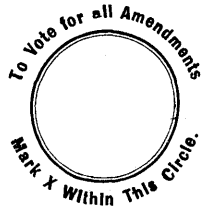
	YES	Double Liability of Bank Stockholders and Inspection of Private Banks.
	NO	

The resolution was laid over under the rule. On motion of Mr. Lampson the resolution was ordered printed.

Mr. Lampson offered the following resolution:
Resolution No. 119:

Resolved, That the foregoing amendments to the constitution shall be submitted to the electors of the state at an election to be held on the _____ day of _____, one thousand nine hundred and twelve, in the several election districts of this state. The polls at said election shall be open at five thirty a. m. of said day, and remain open until five thirty o'clock p. m. of said day; the said election shall be conducted and the returns thereof made and certified to the secretary of state, as provided by law for annual elections of state and county officers. Within twenty days after such election, the secretary of state shall open the returns thereof, in the presence of the governor; and, if it shall appear that a majority of all the votes, cast at such election, on any of said amendments are in favor of such amendment or amendments, then the governor shall issue his proclamation, stating that fact, and said amendment or amendments shall become a part of the constitution of the state of Ohio, and not otherwise. That said amendments submitted shall be numbered in the order in which the proposals were adopted by the Convention on second reading, and each amendment shall be designated by such number and a title which shall suggest its subject matter. Said proposals with the number of the amendments corresponding thereto are as follows, to-wit: 54 (1); 118 (2); 100 (3); 151 (4); 91 (5); 2 (6); 184 (7); 236 (8); 93 (9); 212 (10); 163 (11); 5 (12); 249 (13); 62 (14); 64 (15); 242 (16); 122 (17); 209 (18); 24 (19); 7 (20); 261 (21); 309 (22); 169 (23); 72 (24); 304 (25); 241 (26); 166 (27); 322 (28); 252 (29); 272 (30). The ballots at such election shall be printed in the following form, with each amendment designated by number and title thereon; those voters in favor of all said amendments may vote for all of said amendments by placing an X in the circle at the top of the first column on said ballot, or by placing an X in the space before the word "For" in each and every title; those voters opposed to all of said amendments may vote against all said amendments by placing an X in the circle at the top of the second column on said ballot; or by placing an X in the space before the word "Against" in each and every title; those voters who desire to vote for certain amendments only may place an X before the word "For" in the title of such amendment or amendments; those voters who desire to vote against certain amendments and not against other amendments may place an X in the space before the word "Against" in the title to such amendment or amendments.

OHIO CONSTITUTIONAL AMENDMENTS.
PLAN OF BALLOT (Suggested).
Special Election—Tuesday, Sept. 3, 1912.



	YES	Limiting Veto Power of Governor.
	NO	
	YES	Reform of Civil Jury System.
	NO	
	YES	State Bond Limit for Good Roads.
	NO	
	YES	Abolition of Justices of the Peace in certain Cities.
	NO	
	YES	License to Traffic in Intoxicating Liquors.
	NO	
	YES	Woman's Suffrage.
	NO	
	YES	Initiative and Referendum.
	NO	
	YES	Reform of Judicial System.
	NO	
	YES	Investigations by Each House of General Assembly.
	NO	

Form of Ballot Submitting Amendments to the People—Relative to Postal Savings' Banks.

Ballots marked with an X within the circle at the top of the (first) column on said ballots shall be counted for all of said amendments, except such amendments as are erased or marked within the space before the word "Against" (in the opposite column). Ballots marked with an X within the circle at the top of the second column on said ballot shall be counted against all of said amendments, except such amendment or amendments as are marked within the space before the word "For" in the opposite column. Ballots not marked shall not be counted for or against any amendment.

Ballots so marked as to clearly indicate the intention of the voter shall be counted.

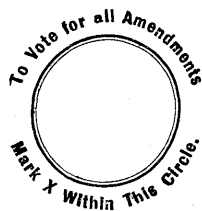
To vote for certain amendments only, mark X in the space at the left of the word "For" in each title.

To vote against any amendment or all amendments, mark X in the space at the left of the word "Against" in the title of each amendment you desire to vote against.

The following is the form of ballot with the designations and titles to amendments thereon:

CONSTITUTIONAL AMENDMENTS.

YES.

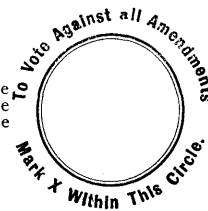


To vote for certain amendments only, mark X in the space before the word "For" in the title. To vote against certain amendments only, mark X in the space before the word "Against" in the title.

1.	ARTICLE I, SEC. 5. FOR Reform of Civil Jury System.
2.	ARTICLE VIII, SEC. 1. FOR State Bond Limit for Good Roads.
3.	ARTICLE IV, SEC. 9. FOR Abolition of Justices of the Peace in certain cities.
4.	ARTICLE XV, SEC. 9. FOR License to Traffic in Intoxicating Liquors.
5.	ARTICLE X, SEC. 1. FOR Woman's Suffrage.
6.	ARTICLE II, SEC. 1. FOR Initiative and Referendum.
7.	ARTICLE IV, SECS. 1, 2, 6. FOR Reform of Judicial System.
8.	ARTICLE II, SEC. 8. FOR Investigations by Each House of General Assembly.

CONSTITUTIONAL AMENDMENTS.

No.



1.	ARTICLE I, SEC. 5. AGAINST Reform of Civil Jury System.
2.	ARTICLE VIII, SEC. 1. AGAINST State Bond Limit for Good Roads.
3.	ARTICLE IV, SEC. 9. AGAINST Abolition of Justices of the Peace in certain cities.
4.	ARTICLE XV, SEC. 9. AGAINST License to Traffic in Intoxicating Liquors.
5.	ARTICLE X, SEC. 1. AGAINST Woman's Suffrage.
6.	ARTICLE II, SEC. 1. AGAINST Initiative and Referendum.
7.	ARTICLE IV, SECS. 1, 2, 6. AGAINST Reform of Judicial System.
8.	ARTICLE II, SEC. 8. AGAINST Investigations by Each House of General Assembly.

The resolution was laid over under the rule. On the motion of Mr. Lampson the resolution was ordered printed.

RESOLUTIONS LAID OVER.

Resolution No. 110—Mr. Thomas, was taken up. The resolution was again read.

Mr. THOMAS: Mr. President and Gentlemen of the Convention: One of the first proposals adopted by the Convention was one relating to the issuing of \$50,000,000 of bonds for good roads. I am informed by the officers over at the postal savings department of the post office that the money which is deposited there is turned over to the banks at two and one-half per cent

Relative to Postal Savings Banks—Taxation.

interest, and the banks are permitted to lend that money out at different rates of interest, whatever they can get for it. The security the banks give is to deposit with the United States state or municipal bonds, and it strikes me, if we are going to build good roads by the issuance of bonds, the state of Ohio could save money by asking Uncle Sam to lend the money from the postal department at two and one-half per cent interest, the same as it is given to the banks. I think the money would be better placed with the people as a whole than with the banks, and I therefore request the adoption of the resolution so that congress, which is now in session, may take the matter up.

Mr. DOTY: How is this to be transmitted to congress? When the legislature petitions congress there is something said about the secretary of state's transmitting it.

Mr. THOMAS: I think it should go from the secretary of this Convention.

Mr. KING: I do not know whether I would be for the resolution as a separate matter or not. But I am not sure that the substance is worthy of consideration here. I submit that we are not here either to petition or to instruct the United States congress. We have a specific duty to perform here, and when we are through with that we should go home. I am against this resolution.

The resolution was lost.

SECOND READING OF PROPOSALS.

The PRESIDENT: The next order of business is the second reading of proposals, and the matter in hand is Proposal No. 170—Mr. Worthington. The proposal has been read the second time. The chair recognizes the delegate from Allen [Mr. HALFHILL].

Mr. HALFHILL: Mr. President and Gentlemen of the Convention: To frame the organic law of Ohio so as to permit a better method of taxation than now exists is probably the most important work to be considered by this Convention, affecting as it does the temporal well-being of all of us and our children after us.

In the ten years last past the population of Ohio has increased fourteen and five-tenths per cent, the tax duplicate has only increased thirty-five per cent and the amount of money raised by taxation has increased sixty-eight per cent.

The foregoing figures show that the cost and expenses of administering the agencies of government in Ohio are too excessively high and there is a crying demand for an effective remedy. Very likely it would be incorrect to say that the per capita cost of running the state machinery should be no greater per head of population than it was ten years ago. In conducting private business we find that many of the fixed charges are higher than ten years ago, and the state in its organized capacity is only a great public business with many departments. The cost of living has advanced so far as the price of most food stuffs is concerned, and there are many thousands of mouths to be fed and bodies to be warmed, cared for and clothed in the asylums, hospitals, reformatories and other charities that care for the unfortunate of the state.

To prosecute an inquiry into the why and wherefore of the increase in the money levied for taxes and to show why the increase in this item is so much greater in per cent than the increase in population and in the tax duplicate, is a greater task than I can hope to thoroughly or successfully accomplish. It would mean nothing less than a review of, first, the constitutional provisions; secondly, the entire statute law on the question of taxation, both before and since the adoption of the present constitution; and thirdly, the decisions of the courts in construing these laws. The subject is a technical one, governed by economic principles as true as mathematics, but hard to demonstrate, and it is especially hard to say anything on such a subject that does not sound stilted and academic. One who could enlighten us in popular language and conduct us through the maze of inconsistencies and contradictions that envelop the whole theory of taxation in Ohio, and could lead us to an understanding of a practical, intelligent, progressive and up-to-date system of taxation, would indeed be a public benefactor.

The tax laws of Ohio are unscientific from the standpoint of the political economist, work the grossest kind of inequalities in distributing the burdens of taxation and are generally bad. The general property tax, substantially as we have it today, was adopted in 1846 and was written into the constitution in 1851 in the language of section 2, article XII, which is as follows:

Laws shall be passed, taxing by a uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise; and also all real and personal property according to its true value in money, excepting bonds of the state of Ohio, bonds of any city, village, hamlet, county, or township in this state, and bonds issued in behalf of the public schools of Ohio and the means of instruction in connection therewith, which bonds shall be exempt from taxation; but burying grounds, public schoolhouses, houses used exclusively for public worship, institutions of purely public charity, public property used exclusively for any public purpose, and personal property to an amount not exceeding in value two hundred dollars, for each individual, may, by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal; and the value of all property, so exempted shall, from time to time, be ascertained and published as may be directed by law.

The exemption from taxation of state, county, township and municipal bonds has been added to this section by the amendment of 1905, but otherwise it is as originally adopted. Here is the "cast-iron rule" that has worked the grossest inequalities and hardships, under which no satisfactory tax system can be established in this state without removing the following:

Laws shall be passed taxing by a uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise; and also all real and personal property according to its true value in money.

Taxation.

In 1906 Hon. Andrew L. Harris, then governor, appointed an honorary commission composed of Wade H. Ellis, then attorney general of Ohio, Atlee Pomerene, since elected a United States senator from this state, and three other efficient and able citizens, to investigate the tax laws and make recommendations for their improvement. In this commission's report to the governor, they have this to say concerning the above quoted cast-iron rule governing the making of tax laws:

The general property tax has long ago served its day. The requirement that all property, tangible and intangible, should be taxed by a uniform rule answered well enough for a time when nearly all property was tangible. The attempt to tax stocks and bonds in the same way as cattle and farms seemed entirely feasible in an age when there were few stocks or bonds. The effort to secure from railroads and similar corporations a fair contribution to the public revenues in return for their public franchises, by methods identical with those adopted as to other classes of property, disclosed no hint of failure in a day when there were only two locomotives in Ohio and less than twenty miles of railroad track, and before telegraphs were in use or telephones or electric lights or transportation had been invented.

Nearly every state in the Union which followed Ohio in the establishment of the general property tax has either long since abandoned it or is now struggling with an effort to get rid of the system. No state has adopted such a plan of taxation in recent years. Many of the more progressive states have never had any specific restriction upon the power of taxation, and no state which has once abolished the general property tax has ever returned to it.

Governor Harris in a special message to the general assembly indorsed this report and its recommendations and this was the beginning of a desperate attempt on the part of the legislature to better conditions if possible. This resulted in submitting to the electors in 1908 a constitutional amendment doing away with the uniform rule and giving the legislature practically unrestricted power in levying and collecting taxes, but this proposed amendment was defeated. Later was passed the Smith one-per-cent maximum general levy, to which is added emergency levies and sufficient to meet the requirements of the sinking fund and interest on outstanding bonds. This is a desperate if not an heroic attempt to overcome inequalities and bad conditions imposed by the uniform rule of valuation fixed by the constitution, but it is only an experiment, and the axe should be laid at the root of the tree.

This Smith law is an attempt to secure a better return of personal property for taxation and take off from the home, the business block and the farm some of the burdens of the iniquitous general property tax saddled there by the laws framed under the uniform rule of valuation prescribed by the present constitution. Such laws have produced, and ever will continue to produce, an increasing burden upon real property and an ever-diminishing share of the burden that should be borne by personal property in the support of the state that

gives equal protection to both. The total value of all the property of Ohio as returned for taxes in 1910 is the sum of \$2,484,315,574, only one-third of which is personal property, but under the forced appraisement of 1911 made necessary by the Smith law, the grand duplicate shows \$6,000,000,000 and the former proportion between real and personal property is preserved.

It is a safe estimate that under any law now in existence, or any form of law that can be drawn under the restrictions of the present "uniform rule of valuation at its true value in money" rigidly fixed in the present constitution, not ten per cent of the moneys, credits, stocks and bonds or other intangible property is ever listed for taxation, and not fifty per cent of the tangible personal property, both as to amount and valuation thereof, is returned for tax purposes. If the visible and invisible personal property of the state could be reached under just and equitable laws the aggregate valuation would exceed that of all real estate in Ohio by a ratio of two to one, and exactly reverse present conditions. This startling fact is the hope of the single-taxer, who by a system of false philosophy claims that he will unfetter all industries and help labor by removing taxation altogether from personal property and placing the entire burden on the land.

And this, too, means all the land, including that used and held by churches, schools, colleges and charities not maintained by law as public institutions, which doctrine is nothing but the madness of the commune and socialistic to the last degree.

The inequalities and injustice revealed in the working of every tax law that has been enacted, or that can be drafted under present constitutional restrictions, makes one wonder that the existing system has been so long perpetuated, but the very complexity of the subject permits concealment of its workings. Some of the more apparent evils may be summarized by condensing the report of the commission mentioned as follows:

1. The first and most important of these is that the general property tax bears unjustly upon the owners of real estate, whether farm lands or city homes, and permits with increasing advantage the escape from taxation of all forms of personal property, and particularly of that class of personal property which can be most easily concealed from the taxing authorities.

2. The next in importance is that which has developed among the owners of real property by reason of the infrequent valuation of such property for purposes of taxation and the inducement on the part of local assessors and taxing boards to assess the same as low as possible in order to shift to other communities their own share of the uniform levy for state purposes. This has been remedied in part by the laws creating the tax commission with power to arbitrarily increase valuation in any county, township, or municipality; but the exercise of such arbitrary power without right of appeal has already worked many instances of injustice.

3. Another inequality is that existing among the owners of personal property caused by the attempt to tax, by a uniform rule and according to its true value in money, tangible chattels on the one hand, such as live stock and farm implements, merchants' and manufacturers' goods and the like, which ought to be easily found by the assessor, and intangible property on the

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other, such as money, mortgages and bonds, which are not returned unless their owner voluntarily admits the ownership.

4. Still another inequality is that existing between the individual owner of real and personal property on the one hand and the owner of certain classes of corporate property on the other, as a result of the requirement that all property, however used and benefited by public grants and franchises and whatever its earning capacity, shall be valued for taxation by a uniform rule and subjected to one fixed method in determining the contribution it shall make to the support of state and local government.

5. Finally, there are many instances of peculiar hardship between classes of corporations caused by an effort from time to time, and without any consistency of plan or purpose, to avoid constitutional obstacles in securing a just return from those who enjoy special privileges in the control and management of such property.

One of the evils most easily understood or of most frequent occurrence is double taxation. If John Doe owns a farm worth \$10,000 and borrows from Richard Roe \$5,000, secured by a mortgage on his farm, Doe must pay taxes on the full value of the farm and Roe must pay full taxes on the \$5,000 mortgage, all of which is equally true of the owner of a small home. One struggling to become a home-owner finds a house and lot that can be purchased for \$1,500, and by paying one-third down and executing a mortgage for the deferred payment of \$1,000 the expectant home-owner is given a deed, and immediately he pays taxes on three times the value of all that he actually owns. In each instance the land and lot owner should in justice only pay taxes on the value of the equity that they have in this property; but those illustrations might be multiplied many times in other classes of property, to show that the general property tax in Ohio has long since served its day.

Between 1889 and 1908 there were six amendments proposed to section two of article XII of the constitution, but only one adopted, when, in 1905, the voters provided for exempting state, municipal, county and public school bonds from taxation, and this was by a vote of five to one in nearly a million votes.

I do not pretend to say that I could devise anything approaching a perfect system of taxation, for that is a work for the highest and best experts on questions of political economy, finance and statecraft, yet I do know that a much better system than the one now existing can be devised and put into execution. There is no occasion, reason or sense for the continued existence of the present general property tax in a state like Ohio, with its ever-increasing burden upon real property, when personal property of all kinds, if it could be got at, would exceed the value of real estate twice over.

The state's statistics for the year 1910 reveal some astonishing facts, as, for instance, the total value of all credits, moneys invested in bonds, stocks, joint stock companies, annuities or otherwise, plus the value of all moneys in possession or on deposit to order, equals the pitiful sum of \$139,685,578, although the actual bank deposits of the state in the year 1910 exceeded the sum of \$500,000,000. For a long time in Ohio under the uniform rule a corporation like The Western Union Telegraph Company returned for taxation only so many

poles, so many miles of wire and so many brass instruments, but finally the legislature found a constitutional way to get at the actual value of the good will, privileges and franchises of this and similar corporations, and the present state tax commission under its power has materially enlarged the tax duplicate with this kind of property.

Evidently the general assembly should have a freer hand, with right to classify property for taxation according to equitable rules, uniform as to each class, with a proviso that no laws should be passed authorizing the levying of a special tax upon one class of property for the purpose of benefiting another class, and at all times avoiding double taxation. Some such amendments to the constitution looking to this end or something similar, have been proposed and defeated, for it seems the people do not want to trust the legislature entirely without restrictions as to taxing power, and the problem is how to give the legislature a freer right and yet not make the right absolutely unlimited.

The most unjust, unfair and inequitable taxes are imposed in those states of the Union whose constitutions are similar to ours, and the best systems of taxation are in those states where the legislature is practically unhampered by constitutional restrictions. Thus when the "uniform rule" of the present constitution is removed, as I firmly believe will be accomplished in the near future, even if this Convention fails to do its duty to the people of Ohio in that respect, there are yet certain safeguards which in my judgment should always be provided:

First. The legislature should be prohibited from contracting away the right to tax by making any irrevocable grants of exemption. The converse of this proposition is true, and the constitution should not expressly require every kind and class of property to be taxed, but should leave to the discretion of the legislature the right to exempt property of churches, educational institutions, private charities, etc.

Second. The legislature should be prohibited from discriminating between persons or property similarly situated, so that the rule of valuation should act uniformly on any class of property which naturally comes in for classification; and should always be prohibited from imposing any tax whatsoever for the benefit of any private or corporate interest.

Third. All property of a strictly public nature supported by public taxes, such as instrumentalities of government, should be absolutely exempted from taxation.

Thus I am suggesting what might be worked out and accomplished by the accepted rules governing the best theories of revenue and taxation and forever excluding from consideration such a heresy as the single tax, or exclusive land tax.

It is out of the question to elaborately present to this Convention any code of rules or scheme of statutory law classifying property for taxation purposes, but permit me to add a few specific reasons to show why this should be made possible.

The money value of property is constantly shifting and is never a true index of ability to pay taxes. Actual money value of an equal amount of property in the hands of two different people can be and is taxed under our

Taxation.

present law so that the net result is injustice and positive immorality. For instance, a widow has \$10,000 and her income is \$400, for she cannot hazard her money in business and must put it in a bank at four per cent interest. An active man has \$10,000 and his income from handling and turning this in business is \$1,000. Both pay one per cent tax on \$10,000, but this exacts from the widow twenty-five per cent of her income and from the able-bodied man but ten per cent of his. If this is justice then crime can be committed in the name of justice, for ability to pay is ability to bear the burdens of taxation. If not hampered by restrictions such as exist in Ohio, the merest tyro in legislation can classify property on the basis of its earning power so that it might be taxed by a differential instead of a uniform rule and thus establish justice between the taxpayers. A state should enact just laws and not charge its citizens with dishonesty because they are driven to evade the operation of unjust and inequitable laws. Inheritance taxes, graduated income taxes, mortgage recording taxes, fixed flat-rate taxes that may be moved up and down until the point of greatest productivity is determined, can all be made effective under a scheme of classification, and Ohio can progress as other states have progressed by wise tax laws.

In New York the revenue from the recording tax is nearly three hundred per cent greater than when taxed annually on full value at a uniform rate of one per cent, and this same state now derives over \$5,000,000 annually from an inheritance tax. Within ten years, under the fixed flat rate, the city of Baltimore, Md., increased its revenue from \$120,000 to \$500,000 solely from intangible personal property.

Ohio can accomplish all that has been done elsewhere if the existing obstacle to progress is removed from our fundamental law.

Now, gentlemen of the Convention, in conformity with the views I have expressed up to this point, I desire to offer what I have prepared as a substitute for Proposal No. 170, and the amendments thereto, as it now appears before the Convention, for consideration.

The amendment was read as follows:

Amend Proposal No. 170, and all amendments thereto, by striking out all after the word "Proposal" and substituting therefor the following:

To submit an amendment to sections 1, 2 and 6 of article XII of the constitution relative to taxation.

SECTION 1. The general assembly shall levy and collect taxes in such manner as it may deem proper; but all taxes shall be just and uniform upon the same class of subjects; and the power of taxation shall never be surrendered or suspended by any contract or grant to which the state shall be a party.

SECTION 2. All property and instrumentalities of government, created or supported by public funds, including the bonds and obligations of the United States, the state or any political subdivision or district thereof, shall not be taxed. The general assembly may exempt from taxation, churches, universities, colleges, seminaries, schools all institutions of public charity and their endowments, and such property of individuals not exceeding

one thousand dollars in value, as shall be deemed best for the public good; but all such exemption laws shall be subject to alteration or repeal; and the value of all property, so exempted by general laws, shall, from time to time, be ascertained and published, as may be directed by law.

SECTION 3. Except as otherwise provided in this constitution, the state shall never contract any debt for the purposes of internal improvement.

Mr. HALFHILL: This substitute proposal, which has been read for your consideration, sets forth what I believe to be a just and proper grant of power authorizing the classification of property for the purposes of taxation. Permit me to call attention to the fact that with all the great increase that has been made in the property of Ohio, so far as the grand tax duplicate is concerned, with all the great advancement that has been made in the changed social conditions, you observe in the present proposal as you have it now before you for consideration practically the same lines of thought that were crystallized into the constitution by the convention of 1851. In such places as you have departed from the express provisions of section 2, article XII, as they now obtain, you have departed with the endeavor to do something which to a certain extent would unshackle the uniform rule, while in fact preserving it as a basis; and it might as well be known and considered that in Ohio in times past the exigencies of the situation have required the legislature and the supreme court to depart in logical effect from the operation of the uniform rule, because excise taxes and franchise taxes, which did not come into existence in Ohio until within a score of years last past, are not taxes at all in the sense in which taxes are levied under the rule of uniform taxation. But the constituted authorities were driven by virtue of the condition of practical bankruptcy that confronted the people of Ohio to start off on a line of franchise, excise and license taxes, all of which properly belong under any scheme of classification that may be devised.

There was introduced here for consideration of the Convention a proposal to grant to a home-owner the right to own \$1,000 in real estate that should not be taxed. That met with no consideration or approval at the hands of the Convention. You have stayed by the same hard-and-fast line of \$200 exemption, just as though there was not a tremendous amount of property which could be brought upon the tax duplicate, and a great revenue that could be derived whereby it would be entirely possible that you might raise abundant revenue and yet relieve those who could least afford to pay taxes. To encourage the small home-owner and aid those who are poor in purse and property I have put into this substitute an authorized exemption of \$1,000. Not that the legislature shall do it, but the power is given to the legislature to do that thing, if in the interest of justice and equality it seems right and advisable that it should be done; and I have kept in this substitute the exemption of municipal bonds from taxation, because it has seemed to me that by every consideration of good business and correct finance there is no sense whatever in departing from a policy that had met with the approval of the people of Ohio to the extent that they have already modified and changed their constitution on that point.

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Mr. ANDERSON: A question please?

Mr. HALFHILL: Wait until I get through with my statement, and I will answer all questions that I can.

It seems to me it would be a parallel point to show you the condition that the Emerald Isle was in when it was owned exclusively by foreign landlords. At that time all the rent and income went away from home and that was a condition that was not good for the people of Ireland. You have here a great state in which the instruments of government, to wit, the bonds of municipalities, etc., are part and parcel of the things in which you are all interested, and in which your and your neighbors' excess capital can be invested and kept at home; and when interest day comes the money circulates in your communities instead of going outside of the state.

Gentlemen of the Convention, you must meet conditions, and you must not combat conditions with theories. This whole situation so far as the uniform rule is concerned is in the form of an ellipse with two foci; at one of the foci you find your theories, but at the other all the time exist the facts, and the facts are against your theories, because human nature permits a man, as an American citizen, to live outside of the boundaries of his native state if the tax rate is more favorable to him elsewhere, and it is senseless and useless to say that he is not patriotic and that he has not state pride because he lives in another state where the tax rate is better. That condition exists and you have to meet it, and that is exactly what we have failed to do in Ohio.

Mr. WOODS: Will the gentleman yield for a question?

Mr. HALFHILL: When I get through with my statement I will give you all an opportunity.

That is the situation that exists in Ohio, and has existed for a number of years past. Now, so far as municipal bonds are concerned, just a word. I want to call your attention to the fact that when you study all of the theorists on taxation, and all of the text-writers on taxation, you will never find one who has departed from the axioms that are laid down by Adam Smith in his "Wealth of Nations." You cannot find one authority or one writer or one political economist that has ever written a chapter that would successfully combat, or even attempt to combat, the axioms of taxation laid down by Adam Smith. I desire to read a few of them to you, and I refer to chapter 2 of book 5:

Before I enter upon the examination of particular taxes, it is necessary to premise the four following maxims with regard to taxes in general:

I. The subjects of every state ought to contribute toward the support of the government, as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate. In the observation or neglect of this maxim consists what is called the equality or inequality of taxation. Every tax, it must be observed, once for all, which falls finally upon one only of the

three sorts of revenue above mentioned (rent, profit, wages), is necessarily unequal, in so far as it does not affect the other two. In the following examination of different taxes I shall seldom take much further notice of this sort of inequality, but shall, in most cases, confine my observations to that inequality which is occasioned by a particular tax falling unequally even upon that particular sort of private revenue which is affected by it.

II. The tax which each individual is bound to pay, ought to be certain, and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor and to every other person. Where it is otherwise, every person subject to the tax is put more or less in the power of the tax gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or perquisite to himself. The uncertainty of taxation encourages the insolence and favors the corruption of an order of men who are naturally unpopular, even where they are neither insolent nor corrupt. The certainty of what each individual ought to pay is, in taxation, a matter of so great importance, that a very considerable degree of inequality, it appears, I believe, from the experience of all nations, is not near so great an evil as a very small degree of uncertainty.

III. Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. A tax upon the rent of land or of houses, payable at the same time at which such rents are usually paid, is levied at the time when it is most likely to be convenient for the contributor to pay; or, when he is most likely to have wherewithal to pay. Taxes upon such consumable goods as are articles of luxury, are all finally paid by the consumer, and generally in a manner that is very convenient for him. He pays them little by little, as he has occasion to buy the goods. As he is at liberty, either to buy or not to buy, as he pleases, it must be his own fault if he ever suffers any considerable inconvenience of such taxes.

IV. Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state. A tax may either take out or keep out of the pockets of the people a great deal more than it brings into the public treasury, in the four following ways. First, the levying of it may require a great number of officers, whose salaries may eat up the greater part of the produce of the tax, and whose perquisites may impose another additional tax upon the people. Secondly, it may obstruct the industry of the people, and discourage them from applying to certain branches of business which might give maintenance and employment to great multitudes. While it obliges the people to pay it may thus diminish, or perhaps destroy, some of the funds which might enable them more easily

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to do so. Thirdly, by the forfeitures and other penalties which those unfortunate individuals incur who attempt unsuccessfully to evade the tax, it may frequently ruin them, and thereby put an end to the benefit which the community might have received from the employment of their capitals. An injudicious tax offers a great temptation to smuggling. But the penalties of smuggling must rise in proportion to the temptation. The law, contrary to all the principles of justice, first creates the temptation, and then punishes those who yield to it; and it enhances the punishment too in proportion to the very circumstance which ought certainly to alleviate it, the temptation to commit the crime. Fourthly, by subjecting the people to the frequent visits and the odious examination of the taxgatherers, it may expose them to such unnecessary trouble, vexation and oppression; and though vexation is not, strictly speaking, expense, it is certainly equivalent to the expense at which every man would be willing to redeem himself from it. It is in some one or other of these four different ways that taxes are frequently so much more burdensome to the people than they are beneficial to the sovereign.

The evident justice and utility of the foregoing maxims have recommended them more or less to the attention of all nations. All nations have endeavored, to the best of their judgment, to render their taxes as equal as they could contrive; as certain, as convenient to the contributor, both in the time and in the mode of payment, and in proportion to the revenue which they brought to the prince, as little burdensome to the people.

Now, if you will consider that Adam Smith was dealing with a government that had plenary powers, and will exclude from his maxims the language which shows that he was dealing with a government that had plenary powers, then you have the maxims that apply unquestionably to the conditions that exist right here in Ohio, and have existed for sixty-one years under the uniform rule.

The conditions which he set forth in these maxims would apply directly to the federal government which exercised all of the greater powers of sovereignty so far as its intercourse with other nations is concerned. But you will remember that in our own state we have reserved much the greater portion of all governmental powers. It is only the few powers that are granted to the federal government, and therefore these maxims of Adam Smith are applicable to the conditions and the situation that confronts us here today. I stated to you in the beginning a proposition that in ten years the population in the state of Ohio had increased 14.5 per cent. The tax duplicate has only increased 35 per cent, and the amount raised by taxation has increased 68 per cent, and you will find right in one of these maxims of Adam Smith that I have read to you a solution and an absolute demonstration of why that condition exists in Ohio today, wherein he says the levying of taxes may require a great number of officers whose salaries may eat up the greater part of the products of the tax, and

whose perquisites may impose another additional tax upon the people. That is the situation that exists in Ohio today, and each legislature undertaking to garner or gather in greater sums for taxation proceeds to enlarge the tax machinery, creates the tax commission and new swarms of tax deputies, and bills are introduced and laws passed in order to get property out of hiding by getting additional officers to pursue it. The complex machinery of taxation is of itself expensive and greatly adds to the burdens and problems of taxation in Ohio. Under the idea of classification it is perfectly possible to pass a general law which will allow property to be taxed practically by the operation of the law in each subdivision so that the auditor, or some similar officer, with a small corps of deputies can collect all of the taxes right in the treasury of each county, and save all of the commissions and exercise the authority that now is instituted and in operation for the purpose of gathering all the taxes, including the regular property tax and the franchise, license and excise taxes. Furthermore, right in the first maxim is something that applies to inequalities and injustice under our present system:

The subjects of every state ought to contribute toward the support of the government, as nearly as possible in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

Now, gentlemen of the Convention, if anybody can demonstrate to me where there is justice and equity and equality under the operation of the uniform rule in Ohio, I have failed to hear the man or read the writer. If you abandon the idea that property is the basis and measure of taxation and adopt the accepted principle that ability to pay ought to be the measure and basis of taxation, then you have approached near to the place where you can pass laws that will deal justly with the citizens of the state, for upon the shoulders of the strong should rest the greater burdens of the government, and under the uniform rule that is impossible. I submit that when you take from a revenue of four per cent interest twenty-five per cent of it in taxes, you have discriminated in a way that it is impossible to remedy under the uniform rule.

Mr. WATSON: Will the gentleman yield to a question?

Mr. HALFHILL: Yes, I will now.

Mr. WATSON: You said a moment ago you would put the burden of taxation upon the rich. Is it not the poor men who have money to lend and to draw interest?

Mr. HALFHILL: You do not quote me correctly. I said I would put the burden of taxation on those who had the ability to bear the burden.

Mr. WATSON: Then a moment ago you said something about a man lending money at four per cent, and that if you took one-fourth of it, etc. Now, is it the poor men who have that money to lend or is it the rich men?

Mr. HALFHILL: You cannot in framing a law frame one for the rich and one for the poor people, but the same rule applies to all the people, and if a man has \$100,000,000, and his income is only four per cent, and

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a widow has \$1,000, and her income is one per cent, the same justice ought to apply to both alike, and they ought to have the same rule, and if by the uniform rule you take one-fourth of the income, you are not doing justice.

Mr. WATSON: Well, how can you classify property and remedy that?

Mr. HALFHILL: I would classify property by putting an increased burden on income, and as the income was greater put on a larger requirement for the government. An income tax is far away and apart from the general property tax, and when you attempt to levy an income tax you depart from the rule of the general uniform property tax.

Mr. WATSON: Does not the majority report impose an income tax?

Mr. HALFHILL: Yes, and the minority report proposes an income tax, and wherein they do it they depart from the uniform rule, and when you depart on that point in order to do partial justice, why not abandon it and go to the classification of property where you can do entire and exact justice? That was the reason why I thought it was a very wise provision that was suggested by the gentleman from Cuyahoga [Mr. DOTY], that when these two reports came in here we would consider and discuss them the same as if they were engrossed and had been read a second time, because under that arrangement it might be entirely possible for us to canvass both reports. As I recollect, you are the gentleman who immediately, on the following morning, attempted to move the previous question and prevent the consideration of both of those reports and to get the Convention to decide upon a certain line, to wit, to exclude the idea of classification and incorporate the idea of the general property tax which is set forth in the minority report, and it was to that effort I objected.

Mr. WATSON: That was in conformity to the agreement.

Mr. HALFHILL: It must have been a private agreement. It was not in conformity to anything stated in the Convention.

Mr. WATSON: What do you say in regard to the doctrine enunciated by the gentleman from Hamilton [Mr. HARRIS] Thursday, when he stated that he would classify according to the ability of the taxgatherer to collect the taxes?

Mr. HALFHILL: The gentleman from Hamilton [Mr. HARRIS] is quite able to take care of his own ideas and theories.

Mr. WATSON: Do you subscribe to that doctrine or not?

Mr. HALFHILL: The doctrine you have stated?

Mr. WATSON: Yes.

Mr. HALFHILL: I do not know whether you have stated it correctly or not.

Mr. WATSON: I have correctly stated it.

Mr. HARRIS, of Hamilton: The political economist from Guernsey county has very much overstated it. You can read the report of the official stenographer and see what I said.

Mr. WATSON: I took a note of it, but I will call on the official stenographer and see what the statement was.

Mr. HALFHILL: I would suggest that the gentleman from Guernsey [Mr. WATSON] is far afield from

anything I heard the gentleman from Hamilton [Mr. HARRIS] state.

Mr. HARRIS, of Hamilton: Will the gentleman from Allen [Mr. HALFHILL] yield for a statement from me on the remarks of the modern Adam Smith from Guernsey county?

Mr. HALFHILL: Yes.

Mr. HARRIS, of Hamilton: As a matter of theory, and having a practical operation also, is it not absolutely the fact that the theory of the graduated income tax advocated by the member from Guernsey [Mr. WATSON] in his minority report absolutely opposes the uniform rule of taxation?

Mr. HALFHILL: That is unquestionably the fact. That is better than I stated it a moment ago. The minority report is full of that sort of idiosyncrasies.

Mr. LAMPSON: How do you justify a situation like this: Suppose the general property tax is one per cent, and A owns \$20,000 worth of real estate and is assessed at \$20,000 and would pay \$200 tax. B in the same taxing district has \$20,000 in cash, and under your proposition of classification of property for taxation, and limiting the tax upon money on deposit to one-quarter of one per cent, B would pay \$50. Why should there be that discrimination?

Mr. HALFHILL: Because the property is not the measure of value, and you are on a wrong basis. There is no rule for fixing the value of property; \$10,000 here may be earning more than another \$10,000 some place else.

Mr. LAMPSON: Suppose A and B are neighbors and each has the same number of children, and the children attend the same school. Why should A pay his share of that \$200 to attend that school, while B would only pay a proportionate share of \$50, both having the same amount of assessed property?

Mr. HALFHILL: I do not know that I fully comprehend your question, but if your question embodies the idea of valuation of property, it is upon a wrong basis, because the ability of the citizen to pay, together with the earning power of the property, is the basis that I contend for.

Mr. LAMPSON: Yes, but under ordinary circumstances is not the earning power of \$20,000 in cash equal to the earning power of \$20,000 in land?

Mr. HALFHILL: I would be wholly unable to answer that, but I do know that, with the products of the farm selling as they do now, a man with good business ability owning \$20,000 worth of land will far exceed in income a man who lends out \$20,000 at interest rates.

Mr. RILEY: Do you not know that that is a tax on the industry of a man rather than on property? You say a man of fair ability can do that?

Mr. HALFHILL: I have no objection to taxing industry. I am not a singletaxer.

Mr. RILEY: What would you do with vacant land that does not produce anything whatever?

Mr. HALFHILL: I would do justice in that instance, and that is what I have been contending for.

Mr. RILEY: What is justice?

Mr. HALFHILL: Her seat is in the bosom of God, and her voice is the harmony of the world.

Mr. LAMPSON: Does not the gentleman know that her seat is on the "pee-des-tal"?

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Mr. HARRIS, of Hamilton: Will the gentleman from Allen [Mr. HALFHILL] yield to me to answer the question of the gentleman from Ashtabula [Mr. LAMPSON]?

Mr. HALFHILL: I shall be delighted.

Mr. HARRIS, of Hamilton: Answering the question of the member from Ashtabula, the next governor, the question was, why should the owner of \$20,000 in real estate pay \$200 in taxes as against the owner of \$20,000 of cash in bank paying \$50? That was the question?

Mr. LAMPSON: Yes.

Mr. HARRIS, of Hamilton: Would not the proper answer be that the state officials and all taxing machinery are not interested in the morality of the question because the morality will not pay public or private debts, but it is a practical question? The \$20,000 in real estate cannot be moved the day preceding the second Monday in April. If it could be moved the owner of it would move it. The \$20,000 in cash in bank can easily be moved in the twinkling of an eye, so that the sole reason in putting money in a lower class in classification is to appeal to human nature by saying that the rate will be so low that we will induce you to list it, and the penalty for failure to list it will be so high that it will be profitable for you to list it. It is a question of practical things in taxation, and that is the sole reason on which it is justified.

Mr. LAMPSON: Do you not think if the rate were limited to one per cent that the man with the cash would pay on his cash just as quickly as if limited to one-half or one-quarter of one per cent?

Mr. HARRIS, of Hamilton: I do not, on account of the ease and facility with which he can move it from his bank in Ashtabula to Pittsburgh. There will be no trace of it in any banking jurisdiction in the state of Ohio.

Mr. LAMPSON: He still has the money?

Mr. HARRIS, of Hamilton: Unless you are a poor banker.

Mr. LAMPSON: Do you not think after all that that gentleman would move his money for thirty cents?

Mr. HARRIS, of Hamilton: As against that theory of yours we have the concrete example of Baltimore and everywhere else where it has been tried, where the reduction of the rate of taxation on personal property has brought out an immense amount of personal property, and yielded the state three or four times the revenue, and that is what the state is interested in. We need not consider morality. Morality doesn't count in an auditor's office. It is what is brought out. I have read from a report of the tax commission in Kentucky begging the legislature for classification instead of the uniform rule, and there is no better rule in taxation matters than experience.

Mr. Hoskins here assumed the chair as president pro tem.

Mr. HALFHILL: I would say to the gentlemen from Hamilton [Mr. HARRIS] and from Ashtabula [Mr. LAMPSON] that they respectively represent facts and theories. The gentleman from Hamilton [Mr. HARRIS] has the facts with him, and the gentleman from Ashtabula [Mr. LAMPSON] is wedded to his theories, and

being wedded to his idols, I do not suppose we can convince him.

Mr. WATSON: Will you yield to a question from me?

Mr. HALFHILL: Not now; another has arisen for questions.

Mr. DOTY: I want to ask a question about this \$20,000 that the gentleman from Ashtabula referred to. Assuming it is in the state, where did that value originate—where did it come from? You need not answer if you don't want to.

Mr. HALFHILL: I fear you are endeavoring to lead me into a discussion of the single-tax theory.

Mr. DOTY: All I want to say is that I think you are a singletaxer and have not yet found it out.

Mr. HALFHILL: That may be so, and that is where ignorance is bliss.

Mr. BROWN, of Pike: In view of what has been said about morality, would not it be a good idea to repeal all of the criminal laws of the state so that we shall have no more criminals?

Mr. HALFHILL: I shall have to rule that question out of order. That will come on the next proposal.

Mr. ANDERSON: I understand you to say that one of the reasons you do not want to put the bonds back on the tax duplicate is because in 1905 they were voted upon and the people of Ohio showed that they were very much in favor of changing their constitution in this regard. Do you not know that that was under the Longworth act, and there was not one person in twenty of the people who voted for it who voted intelligently, so far as the bonds were concerned?

Mr. HALFHILL: I have a pretty good idea of the intelligence of the people of Ohio and a good deal of respect for it, and I think they understood it.

Mr. ANDERSON: Do you mean to say—I am not asking it at an index to your intelligence—but do you mean to tell these delegates that when the people voted in 1905 to take the bonds from the tax duplicate, that twenty per cent of the people understood what they were doing?

Mr. HALFHILL: Yes; I think ninety-nine per cent did, and those who voted in favor of it voted intelligently.

Mr. ANDERSON: Are you just as sincere in all the other part of your argument as you are in that statement?

Mr. HALFHILL: I am entirely sincere in the belief that they voted intelligently because they reached an intelligent conclusion. That is reasoning from effect back to cause.

Mr. STOKES: Because it happens that they turned down every constitutional amendment except those submitted and ratified by the party vote, is that the reason you say they are intelligent?

Mr. HALFHILL: Do you mean to say they turned down everything?

Mr. STOKES: Except where one party or the other, or both parties, ratified one of the amendments, and they voted for it on the party ticket. They turned down all except those, and is that the reason you say they are intelligent?

Mr. HALFHILL: No, sir; the amendments that were of enough importance to be taken notice of by the

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political parties were of enough importance to be taken notice of by the people.

Mr. ANTRIM: Referring to municipal bonds, if we were to restore municipal bonds to taxation is it not true that about one-half would go to the banks, and the other half would go out of the state, and we would not get any taxes on them?

Mr. HALFHILL: I certainly believe that is so, and that is what I have attempted to state.

Mr. ANTRIM: Would not the rate be higher and would not the whole people, therefore, suffer as a result of their not being exempt, in that they would pay a higher rate of interest and would get no return in taxes?

Mr. HALFHILL: And that is why I believe it would be unwise not to specifically exempt the municipal bonds, because, as has been argued here by some of our very progressive brethren, it is a good thing to have the shotgun above the door. Now, when it comes to the question of capital, there is not anything that is more timid than capital, and if the legislature has the power to levy a tax and it is not expressly excluded by the constitution, then and in that event the bond bids will be framed so as to provide against the possible execution of that power, and you will immediately fail to get either the low rate of interest or the high amount of premium that you would ordinarily get upon bids for bonds offered under the existing exemption of the constitution.

Mr. STOKES: I have not fully made up my mind about how I am going to vote on this proposition, and I want all the information I can get. There is a little bit of discredit so far as putting the proposition entirely up to the legislature. Would you not think it wise for the Convention to classify, if they are going to classify, as much as they can in the constitution?

Mr. HALFHILL: No, sir; I do not, because I am opposed on principle to legislating in the constitution, and some of the good work we have done here, if it meets with defeat, will meet defeat on the ground that it is statutory legislation and has no place in the constitution.

Mr. STOKES: Do you not think it would be wise for us to "safeguard" that?

Mr. HALFHILL: Do you use that word with quotation marks?

Mr. STOKES: Yes.

Mr. HALFHILL: If so, I shall have to refer you to the gentleman from Cuyahoga [Mr. DORV], because he understands these ideas of safeguards and has so many in the initiative and referendum that his constituents are finding fault with it.

Mr. STOKES: I thought that was "de novo" with you.

Mr. HALFHILL: Absolutely not. I can prove an alibi on that.

Mr. COLTON: How do you avoid double taxation under the classification of property?

Mr. HALFHILL: I certainly think it would be a very easy proposition to provide that there shall be no double taxation, and it would be a very easy proposition to tax a man on the equity of what he has. As I said in my remarks here, it is impossible in an address to even outline a scheme of classification. I can only suggest what I believe would be proper.

Mr. LAMPSON: Do you mean by that that we should allow a deduction of debts from credits?

Mr. HALFHILL: I do. I do not think a man should be taxed on what he has not.

Mr. LAMPSON: If a man has one hundred acres of ground and has debts to the full amount of what the one hundred acres of ground are worth, do you mean that that land should not pay any taxes?

Mr. HALFHILL: I mean that the man should not pay on that which he does not own. It is easy to frame a statute that will meet that situation.

Mr. HARRIS, of Hamilton: I was suggesting an answer to Mr. Lampson, the next governor of Ohio, if he gets enough votes—is the ownership of the land a credit? Does he own anything?

Mr. EBY: I have been out part of the time and I may not have understood. Were you advocating the exemption of mortgage or the substitution of a mortgage tax?

Mr. HALFHILL: I do not understand your question.

Mr. EBY: I understood that you were talking about exempting mortgage liens and substituting mortgage taxes?

Mr. HALFHILL: I said that was beneficial in the state of Ohio to the borrower.

Mr. EBY: Upon what do you base your assumption?

Mr. HALFHILL: On the fact that it would reduce the rate of interest.

Mr. EBY: Do you believe that it will get a low rate to the borrower, or that the borrower will get the benefit of it?

Mr. HALFHILL: Your question is a good deal like the one I have heard. Is it right for a man under certain conditions to lick his mother-in-law?

Mr. EBY: No, sir; you are advocating something that is quite a change in Ohio, but has been tried in New York and Maryland. There must be one of three reasons, that we have felt that this is the right amount to tax, but we cannot get it, or that it is not right and is not sound, and we should not try to get it, or we may conclude that the public in general should get the benefit from lower interest rates than we do on bonds.

Mr. HALFHILL: Let me ask you a question: Why is it not right, under certain circumstances, to take all of these things into account and classify them?

Mr. EBY: I am not trying to trip you. A farmer never tries to trip a lawyer. I just asked for information.

Mr. HALFHILL: I submit it is impossible to define how much is ethics, or how much is finance, or how much is expediency, or how much is political government that is included in what you state, but I do say on this simple proposition that under the uniform rule of taxation in Ohio real estate pays too much taxes and personal property escapes taxation. One of the reasons why it escapes is that under certain circumstances it should escape, because the uniform rule works an injustice. In other instances it may be unjust that it escapes. Wherein it is unjust I want to make it pay, and where it is just that it should pay a lesser amount it should pay the lesser amount. All of which can be brought about by abandoning the uniform rule and adopting classification.

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Mr. EBY: How do you explain that the real estate owners are not asking for classification and that the other people are?

Mr. HALFHILL: That is something I did not want to touch on, because it is absolutely inexplicable to me. I came to the conclusion that I have reached because I was a friend of the landowner and the farmer; I have more real estate than anything else, and I think I am paying too much taxes on it, and as a result of my investigation of this subject, I believe that by getting upon the duplicate the property that ought to be taxed we can relieve real estate from some of the burdens it now unjustly bears.

Mr. EBY: Taxing real estate only and exempting mortgages, do you not know that that would take one-third or even one-half from the poor districts?

Mr. HALFHILL: I do not believe that I fully comprehend that question.

Mr. HOLTZ: Do I understand you to say that under classification a law might be enacted that would bring out hidden wealth or intangible property?

Mr. HALFHILL: I think so.

Mr. HOLTZ: What is to prevent laws being enacted under the uniform system to bring out this property?

Mr. HALFHILL: If you adopt property or any other thing of value except money as the basis, it works an injustice so frequently that it won't come out, as I have tried to show.

Mr. HOLTZ: I cannot understand or see the justice of one man with \$10,000 paying \$100 and another man with \$10,000 paying \$25, and I cannot see why laws that can be enacted to bring out under the one rule certain property, cannot be enacted under the other rule to bring out that same property?

Mr. HALFHILL: It is utterly impossible under the uniform rule to enact laws that will bring upon the duplicate the amount of property that ought to be there and ought to be paying taxes, and one reason for that is because it is unjust.

Mr. HOLTZ: If a person makes a false statement to save one per cent, what will prevent him from making a false statement to save one-quarter of one per cent?

Mr. HALFHILL: It is a question of risk and of perjury. It is the old idea, where a man who is making a tax statement feels in the bottom of his heart that the law is unjust to him and that he is justified in escaping an unjust burden that the law places upon him, he will endeavor to escape this injustice even at a hazard.

Mr. DWYER: Speaking from the farmers' standpoint, suppose the school board of a township desires to build a school house, and they issue nontaxable bonds to build the school house, will not they get more money if the bonds are not taxed?

Mr. HALFHILL: Certainly.

Mr. DWYER: Then if that be the case it is to the interest of the township to have nontaxable bonds?

Mr. HALFHILL: I cannot see it any other way than that.

Mr. DWYER: If those bonds are taxed and the people have to pay higher by reason of that and there is no return from the bonds in the way of taxation afterwards, are not the townships and the farmers the sufferers?

Mr. HALFHILL: That is an economic proposition

that does not require demonstration. It is a matter of common knowledge. A bond will sell higher where it is never to be taxed.

Mr. FLUKE: Every individual receives some of the benefit of government?

Mr. HALFHILL: Undoubtedly so.

Mr. FLUKE: And in return for that, undoubtedly something must be given on his part?

Mr. HALFHILL: Yes.

Mr. FLUKE: In the scheme of exempting all bonds, if I take all my property and invest it in bonds in the state of Ohio, how would you assess me for the benefits I get?

Mr. HALFHILL: I would go after you on the income tax, the bigger the income the more I would make the man pay.

Mr. FLUKE: How do you arrive at that?

Mr. HALFHILL: I have just stated that I could not right here frame a full system, but it can be arrived at. England is under that system. Gentlemen of the Convention seem to forget that Ohio and a few other states are the last refuges of the general property tax, and that in other civilized countries of the world, notably in Great Britain, France and Prussia, the income tax and the other methods of classification are the ones they have been living under, and they have operated their government successfully.

Mr. FLUKE: It all resolves itself in the ability to locate the property in the hands of the individual?

Mr. HALFHILL: No, sir; it resolves itself into our inability to frame a just system of taxation under the uniform rule.

Mr. CUNNINGHAM: Under the other one, too.

Mr. HALFHILL: Which other one?

Mr. CUNNINGHAM: Under classification, it is equally impossible to frame a just tax law. There never was one framed, and never will be one framed.

Mr. HALFHILL: You are speaking of universal justice. Universal justice does not exist under any law.

Mr. CUNNINGHAM: Why not reach incomes under one system as well as the other? That is the only way you can make it equal where one man has a larger income than the other, and you can have it just as well under the uniform rule as under classification, and it is right in this proposal now. What is the use of talking about that particular thing, when you can do it better, or at least as well, under the uniform system as you can under the classification system?

Mr. HALFHILL: You do not mean to say that under the minority report and the proposal before the Convention you can reach as many classes of property as could be reached under a scheme of classification?

Mr. CUNNINGHAM: Yes, sir; you can reach every kind of property under that proposition that is reached by classification.

Mr. HALFHILL: That is where we disagree. You gentlemen, in my judgment, have reached out in the direction of classification in order to bolster up a condition in Ohio which ought not to exist.

Mr. CUNNINGHAM: There never was anything to prevent an income tax in Ohio.

Mr. HALFHILL: There never was anything to prevent a franchise tax.

Mr. CUNNINGHAM: No.

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Mr. HALFHILL: Nor an excise tax, nor a license tax; and yet I do not think any gentleman who knows anything about the theories of taxation will claim that that is levied under the uniform rule, or that it is a uniform rule of taxation.

Mr. HARRIS, of Hamilton: Mr. President:

The PRESIDENT PRO TEM: Will the gentleman yield?

Mr. HALFHILL: Yes; if there is anybody who has any question to ask.

Mr. HARRIS, of Hamilton: As a matter of fact, have not the greatest constitutional lawyers —

The PRESIDENT PRO TEM: The gentleman has yielded for a question.

Mr. HARRIS, of Hamilton: I am going to ask a question. Have not the greatest lawyers expressed doubt as to whether any income tax can be levied? Yet they said that inheritance taxes could be, but not income taxes.

Mr. HALFHILL: I do not think all of those causes have been before the supreme court. Everybody knows that the legislature and the then auditor of state, Mr. Guilbert, who was a very capable man from Noble county, got the corporations of Ohio to accede to that law and pay their excise taxes without bringing it before the supreme court. The supreme court of Ohio has never passed on it to this day and the question can still be raised.

Mr. MILLER, of Fairfield: Do I understand you to say that you are in favor of classification because you hope that we shall receive more taxes under that system?

Mr. HALFHILL: No; I didn't say that. I said — and you probably misunderstood me — that I had reached my conclusion that there ought to be classification of property, starting from the basis of a landowner, and believing that the land paid too much taxes, and that, by a just system of classification, we could enlarge the duplicate and relieve the taxes now paid by the land. Two-thirds of the grand duplicate is land and one-third personalty.

Mr. MILLER, of Fairfield: Is or is not the Ohio Bankers' Association advocating classification?

Mr. HALFHILL: The Ohio Bankers' Association or any other association, the State Board of Commerce or any other board of commerce that deals with taxes, have their own views as to that which will be best, and very likely in those instances they are trying or advocating that which will help throw some of the burden from some place to somewhere else. Is not that all human experience?

Mr. MILLER, of Fairfield: Onto whose shoulders?

Mr. HALFHILL: I do not know. Do you mean to imply by your question that it is not the duty of every member of this Convention honestly to advocate what he believes to be best for all the people of Ohio, or do you expect to confuse me by that question? Very well, then, I say that every one of us here advocates that which he believes best as to the particular system of taxation.

Mr. CUNNINGHAM: I would like to know if one class is to take up the whole of the discussion in the Convention? They have been doing it so far, and I want to have a vote on this thing before it is talked to death.

Mr. HALFHILL: Is that a question.

Mr. CUNNINGHAM: Yes.

Mr. HALFHILL: Do you ask me?

Mr. CUNNINGHAM: Yes, and I want further to ask, was it not the arrangement that the vice president, who is supposed to be honest, was to be kept out of the chair until this matter was to be finally determined?

Mr. HALFHILL: I will answer your question. I know of no such arrangement as suggested, and I will say further that I waited patiently three or four days to make an address giving my theories on the subject of classification. Now I ask you, have I taken more than a fair share of the time?

Mr. CUNNINGHAM: I don't think you ever waited any three or four days to get a chance to talk in this Convention.

Mr. HALFHILL: I have had no opportunity before, and, furthermore, I have contended against the calling of the previous question always, and you gentlemen who are in favor of the general property tax have always been very ready to move that question, and have moved the question, and you have taken your share of the time.

Mr. CUNNINGHAM: No; we haven't. Mr. Doty took two hours and a half.

Mr. HALFHILL: Suppose he did. Is he not chairman of the committee?

Mr. CUNNINGHAM: Yes, but he is not entitled to talk a week and tire everybody out.

Mr. HALFHILL: I will listen to you as long as you or anybody on the other side wants to talk, but I am within my rights, and I do not propose to be criticised by any member of the Convention as long as I am within my parliamentary rights.

Mr. CUNNINGHAM: I am not making any reflection on you; I am just simply asking for information.

Mr. HALFHILL: I will say to the honorable gentleman from Harrison county, whom I have always respected, that I think it comes with poor grace for him to charge me as a member of the Convention on this floor with being a party to anything unparliamentary. I have my rights here, and I expect to assert them. If anybody thinks I have exhausted my time under the rules, I beg to notify him that I have all the time there is, and as I am pretty able-bodied, I will stay just as long as I want to.

Mr. WINN: You know that before the recess was taken and while this matter was under discussion last week there was a list made up by the president of those who desired to talk and that your name was on the list?

Mr. HALFHILL: Yes.

Mr. WINN: You spoke in your order?

Mr. HALFHILL: Where?

Mr. WINN: When your name was reached.

Mr. HALFHILL: Today?

Mr. WINN: Whenever you obtained recognition.

Mr. HALFHILL: I do not know where my name appears on the list. I know I put my name on the list three days ago.

Mr. WINN: Do you know that the president of the Convention destroyed that list today and made out another new list?

Mr. HALFHILL: The gentleman from Defiance [Mr. WINN] certainly does not intend me to answer that question. If he intends to cast any reflection on the president of the Convention I would counsel him to cast that reflection when the president is present. Wait until that time to make the charges. While I have not always

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agreed with the president of the Convention, yet I have never gone behind his back to tell him about it.

Mr. WINN: Did you have any great trouble in getting recognition today?

Mr. HALFHILL: It has taken me three days to get recognized.

Mr. NYE: I want to ask a question about double taxation. I ask this for information. Suppose you have \$1,000 and you want to buy a farm worth \$2,000, and I have \$1,000 and I want to get a livery stable or any other business worth \$2,000. If you exempt the \$1,000 that is owed on the farm, ought you not only to exempt the \$1,000 that I owe on the livery stable or the business I bought? I ask that for information.

Mr. HALFHILL: As I stated in my remarks, it would be impossible here to outline a statutory scheme on this point. I say that double taxation exists today and you agree with me.

Mr. NYE: Yes, and I want to avoid it.

Mr. HALFHILL: My belief is it is possible to avoid it, but into what difficulties we will get in avoiding it I am unable to say, but I do believe it can be avoided. That is as far as I can answer the question. I entirely agree with you on the question of wanting to avoid double taxation.

Mr. ANDERSON: Would you have any objection to letting the friends of classification frame a proposal and those for uniform rule get up a proposal, and submit them to the voters?

Mr. HALFHILL: I would be delighted to do that. If I thought there was that much justice and good common sense in the Convention I would be delighted.

Mr. ELSON: You said that we have double taxation in Ohio and that we ought to get rid of it?

Mr. HALFHILL: Yes, sir.

Mr. ELSON: Is it possible to do so?

Mr. HALFHILL: Yes.

Mr. ELSON: A tax on an income is a double tax?

Mr. HALFHILL: Yes.

Mr. ELSON: Money.

Mr. HALFHILL: Yes.

Mr. ELSON: Mortgages?

Mr. HALFHILL: Yes.

Mr. ELSON: Can you get rid of all that?

Mr. HALFHILL: It might be right and just in one instance to tax an income, or tax a property from which the income is derived, and it might be wrong and unjust in another instance, and under these differing circumstances justice and equity would say where an exemption should be made.

Mr. ELSON: You would leave all such discriminations to the legislature?

Mr. HALFHILL: Yes; I would leave it to the legislature to frame just and equitable rules of taxation.

Mr. EVANS: What inherent justice is there or can there be in favor of this so-called uniform rule?

Mr. HALFHILL: I have endeavored to denounce the uniform rule as generally bad. If I have not made my position plain to the Convention on that point I believe I shall be unable to do so.

Mr. HOLTZ: The inequality in the valuation of property is one of your arguments for classification?

Mr. HALFHILL: That is an illustration and not an argument, a pointing out of a single thing that is wrong.

Mr. HOLTZ: Suppose at the beginning of the last decennial appraisal one man had \$10,000 in money and another man had \$10,000 that he put in real estate at that time. At this present appraisal the \$10,000 in money is still \$10,000 in money, but the real estate will probably represent \$15,000 or \$18,000. Which is the standard of value, is it the land or the money?

Mr. HALFHILL: There is no standard of value.

Mr. HOLTZ: It looks to me that money is the standard of value.

Mr. HALFHILL: There never was any standard of value and never can be under the uniform rule. It is a fraud and never was capable of demonstration, as I think was clearly stated in the argument of Mr. Doty, the chairman of the committee. I fully agree with that part of his argument.

Mr. WATSON: Not impugning your motives, do you know who is to follow you with an amendment, whether it is the gentleman from Hamilton [Mr. HARRIS] or the gentleman from Cuyahoga [Mr. DOTY]?

Mr. HALFHILL: I have no idea who is going to offer amendments or substitutes other than the one I have presented, and which I labored at earnestly when I was away from the Convention during the recess over Sabbath.

Mr. WATSON: Aren't you aware of any plan to carry on this discussion for the purpose of wearing us out by adjournment or any other way?

Mr. DOTY: No, and you don't either.

Mr. HALFHILL: I did not know it was possible to wear out the gentleman from Guernsey.

Mr. WATSON: Another question: Are you sure that the list upon which our names were recorded last week to talk upon this question has been destroyed? Don't you know many of our names were eliminated?

Mr. HALFHILL: Do you?

Mr. WATSON: Are you aware of that?

Mr. HALFHILL: You have impugned some gentleman's motives.

Mr. WATSON: I have done it openly.

Mr. HALFHILL: Then state your man openly.

Mr. WATSON: It has been destroyed by the chair. The list now up there is not the list on which I recorded my name last week.

Mr. HALFHILL: Do you mean to say that the chair has surreptitiously and wrongfully destroyed the list your name was on?

Mr. WATSON: I mean to say that the list on which my name was recorded is not in existence, and that a new list without my name on it is on the desk now.

Mr. JOHNSON, of Williams: I rise to a point of order.

Mr. HALFHILL: I rise to a point of order.

The president here resumed the chair.

Mr. JOHNSON, of Williams: What has this to do with the subject under discussion. I have been wanting to get recognition to move the previous question. These gentlemen are out of order, and discussing things not at all before the Convention, and as a member of this Convention I am disgusted with it.

Mr. HALFHILL: So am I.

Mr. JOHNSON, of Williams: The insinuation that a list has been destroyed is out of order.

Mr. HALFHILL: I agree with you.

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Mr. JOHNSON, of Williams: I don't care whether the gentleman agrees with me or not. I have some rights here as well as anybody else.

Mr. HALFHILL: Nobody that I know of has been trying to deprive anybody of any rights.

Mr. LAMPSON: Don't you think this whole situation is as bad as the "Crime of seventy-three"?

Mr. HALFHILL: Yes, and is a crime of nearly the same nature. I would like to know if the gentleman from Guernsey imputes to me any knowledge of those things he has suggested?

Mr. WATSON: I simply asked if you were aware of those things.

Mr. HALFHILL: I have said I have no such knowledge.

Mr. WATSON: Do you know that Mr. Harris, of Hamilton, is to introduce the next amendment, and that Mr. Doty is to introduce the next one?

Mr. DOTY: I rise to a question of personal privilege. This is the second time that the gentleman from Guernsey has said that I am going to introduce an amendment after the gentleman from Hamilton [Mr. HARRIS] and I don't know anything about it.

Mr. WATSON: Is it not so recorded?

Mr. DOTY: I don't know anything about it.

Mr. WATSON: The gentleman from Auglaize [Mr. HOSKINS] said so.

Mr. DOTY: I don't know anything about it, and I don't want any manipulation charged to me. I suggest that you exercise more judgment in choosing your words.

Mr. HALFHILL: I regret that the gentleman from Guernsey [Mr. WATSON] in his zeal desires to charge somebody with unparliamentary conduct. I pointed out something that was unparliamentary in the gentleman from Guernsey when he rose last Friday and moved the previous question before we had had any consideration of these two reports, and the Convention agreed with me at that time, and later in the evening session the Convention further agreed and at that time the chairman of the minority of the committee [Mr. COLTON] making this report said that we should have a full right to discussion. Now I would like the gentleman from Guernsey to listen to my answer.

The PRESIDENT: The member from Guernsey will please maintain order as far as it is possible for him so to do.

Mr. HALFHILL: I was just remarking that Professor Colton agreed when he addressed us that it was not the purpose to shut off any debate, and this is the first opportunity I have had to present my views on classification of property for the purposes of taxation. I think it would be wise if there were a number of amendments offered and if the debates were thorough upon each and every one of the amendments, and by what authority or right or rule of decency even, any member can arise in the aisles, be he from Guernsey or any other place, and object to anybody offering an amendment, or the amendments receiving full discussion, I do not know. I thank you, gentlemen.

Mr. HARRIS, of Hamilton: I offer an amendment.

The amendment was read as follows:

Amend Proposal No. 170 as follows: Strike out the words "at present outstanding" in line 10,

Strike out the words "so at present outstanding" in line 13.

Mr. LAMPSON: This is to the original bill and not to Mr. Halfhill's amendment.

Mr. HARRIS, of Hamilton: That is right. I want to say if the gentleman from Allen [Mr. HALFHILL] who has just surrendered the floor, had any guilty knowledge of my amendment, as was intimated by the member from Guernsey [Mr. WATSON], then he acted uncavalierly toward me, but I absolve him, for my amendment treats of the question of making the bonds of the state and of all political subdivisions thereof free from taxation; and you will recall that the member from Allen [Mr. HALFHILL] discussed that to some extent on the floor. The matters involved in this amendment are so profound that I feel I would not be doing my duty to the state if I failed to try to impress them upon you.

Mr. WINN: I rise to a point of order. The member has spoken more than twice on this question of taxation of bonds. He spoke at the opening, then made another extensive speech and now is making another one.

Mr. HARRIS, of Hamilton: I addressed the Convention once on this subject, but not on this amendment at all.

Mr. WINN: The rule is that no member shall speak more than twice on the same subject.

Mr. HARRIS, of Hamilton: I have spoken only once on this subject.

The PRESIDENT: The member from Hamilton is in order and will proceed.

Mr. HARRIS, of Hamilton: I want to impress it upon you that those who advocate the exemption of the bonds of the state and all political subdivisions thereof from taxation are not interested in the least in the holders of those bonds. We are not here to speak for the holders of those bonds. We are here to speak for the state and the political subdivisions thereof. If it were merely in the interest of the holder of the bonds I would not have said a word in his defense, because he does not interest me in the least.

Now I am going to give you a few concrete illustrations and show how this proposition will work out. I shall start with the proposed issue of \$50,000,000 of bonds for good roads. I state that in my judgment there is no shadow of doubt that if these bonds are exempted from taxation as they would be under the present constitution, there will be no difficulty at all in floating them at three and a half per cent, on which basis all our calculations were made in the discussion of the good roads proposition. To that I add that if the bonds are not exempt from taxation it will be impossible to float them under four per cent, and further, in that flotation the difference to the state of Ohio, which is ourselves, which difference we must pay in taxes, will be in round numbers the difference of one-half of one per cent, or about \$17,000,000 in the additional charge of interest which must be paid in the form of taxes by the people of the state of Ohio. Now I further venture the statement that if by constitutional enactment you make them subject to taxation, not only will you be not able to float them at less than four per cent, thereby increasing your burden \$17,000,000, but the state will get no revenue from them. They will not be listed for taxation if owned in the state, and certainly not listed for taxation

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if owned outside of the state. A few days ago this Convention passed the home rule proposal for cities, and you all know the great sentiment underlying the home rule was the public ownership of public utilities.

Mr. ANDERSON: May I ask a question?

Mr. HARRIS, of Hamilton: Pardon me, I have neither a prepared speech nor notes, and you are likely to drive me off at a tangent from what I want to say.

Every city and village, and especially the small ones, expect within a few years to own their own public utilities. They expect, and we have given them the power to acquire the present utilities that may be existing and now owned by private corporations—we have given them the power to acquire them by condemnation, so that if they have the money there is no utility which they can not acquire through legal proceedings, and they will have a jury of twelve men selected from their own neighborhood to determine the value of those privately owned utilities. If you stop and consider a moment that the purchase of those privately owned utilities means a vast outlay of millions and hundreds of millions of dollars throughout the state, and that the purchases will be made by the proceeds of bonds issued by the village and cities, you will understand what the increase of interest may mean to the cities and villages of this state.

Then, too, when you make those bonds subject to taxation, you immediately deprive the bonds of the magnificent market which they have today in the state of Ohio, and you further penalize yourselves by forcing the interest rate up one-half to one per cent. So you are lopping off, or at least making it exceedingly difficult for you to accomplish, public ownership of private utilities by such action as is proposed in the minority report. You see how easily these innocent provisions creep into these reports. You saw section 7 inserted in the best of good faith and yet it would absolutely have nullified one of the vital principles of the home rule proposal.

Now let me point out what is likely to happen in any one of your cities, and I shall not take Cincinnati or Cleveland. There was recently offered to me by brokers in Cincinnati some bonds issued by the city of Youngstown for the purpose of providing funds for the waterworks, and I will therefore refer to the city of Youngstown. These bonds were offered to me last week on a 3.95 basis, showing not only magnificent credit on the part of Youngstown, but facilities for disposing of the bonds. Assume that the city of Youngstown wishes to acquire by condemnation proceedings, the lighting plant, if there is one privately owned in the city of Youngstown. It will require say \$2,000,000 to acquire that lighting plant. It can be done through condemnation proceedings if this home rule proposal becomes part of our fundamental law. At present the city of Youngstown can issue securities at four per cent and sell them readily at better than par. My judgment is that the city of Youngstown and all other similar municipalities will be required to pay four and one-half to five per cent when bonds are not specifically exempted from taxation. The difference in the interest between four and five per cent on this one issue is \$20,000 per annum. We will assume that the bonds run for forty years, so that in forty years there is forty times twenty thousand or \$800,000 excess in interest paid out. In the meantime, of course, the city has been securing in some way the money to pay

the interest on those bonds, and as the bonds run forty years the average time of payment would be twenty years. Say that there is interest to be calculated on the \$800,000, for twenty years at five per cent. Money doubles at compound interest at five per cent in about thirteen and one-half years. So the city of Youngstown would be penalized the small sum of \$2,000,000, an amount equal to the principal of the debt in the one issue of bonds running forty years, if they had to be sold on a five per cent instead of a four per cent basis.

Now you can take that example and apply it all over the state, in every small political subdivision as well as in the larger ones. If this proposal to make the bonds of our municipalities subject to taxation had been cunningly devised by those opposed to home rule they could not have done it better, because, while I do not say it will prevent the consummation of one of the vital principles of home rule, the public ownership of privately owned facilities, it will increase the burden millions and millions of dollars upon the people of the state of Ohio without any direct or immediate benefit to them.

You can readily see from the illustration given of the city of Youngstown that in order for the city to save or secure through taxation the one per cent difference in the rate of interest on the supposed issue of \$2,000,000 of bonds at 5 per cent, two things would have to happen; first, all the \$2,000,000 bonds would have to be owned by the people of Youngstown; and secondly, all of them would have to be reported for taxation. Now you know that these two conditions are of themselves absolutely impossible. If \$50,000 or \$100,000 of those bonds were bought and owned by the people of Youngstown and all so owned actually reported by them for taxation, then the city of Youngstown would get back in taxes one-twentieth of the amount which it had paid out in the penalty of that one additional per cent.

Mr. JOHNSON, of Williams: Will the gentleman yield for a question?

Mr. HARRIS, of Hamilton: Please let me finish. I shall be through in a minute and then will answer any question that is asked me.

Now as to the question of sound policy in this Convention. There are two great schools of taxationists. There is the school of classificationists and the school of uniform rule. There is a difference and a very great difference of opinion, but the uniform-rulers seem to have a majority of this Convention, and yet they are about to defeat their very purpose because they seem to have forgotten or never to have learned, which latter is much more probable, that the wise principle of statesmanship is concession. I am addressing you on the practical side of politics. It may be very foolish so to do, and not up to that high ideal that some of us talk about frequently but forget to practice. Now let us see the position you are in before the people in the state of Ohio. Do not forget that in 1908 there were something like three hundred and forty thousand people in the state of Ohio who voted for classification, not under any Longworth act, but after serious consideration and because it was an issue, and they voted on it accordingly. Three hundred and forty thousand voted for classification. At present the constitution provides for the exemption of bonds issued by the state and all of the political subdivisions thereof. Now you have gained much in

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many sections of your proposal. In the Lampson amendment and the Anderson amendment you have gained much, those of you who advocate home rule. You have the limitation on taxation, and that is proper and of great importance. I think it is wise, but if that which I advocate to the people of Ohio, and not for any bondholder, whose interest to me is not more than one of those stone pillars—but if you fail to do this patriotic thing by exempting the bonds of the state and all political subdivisions you force us, who might otherwise take our medicine on the other propositions and work with you, to do everything we can to defeat this proposal. We have everything to gain and nothing to lose. Is it not the part of statesmanship and wise public policy not to divide the people of the state of Ohio at the start and offer temptations to oppose your measure? I submit this for your earnest and practical consideration.

Mr. DWYER: I wish you would look at lines 11 and 12 and see whether your amendment covers future issues of school bonds and that they will be exempt from taxation.

Mr. HARRIS, of Hamilton: I thought it covered everything. That escaped me, but we will put it in. That will be covered.

Mr. JONES: I understood you to say the bonds of Youngstown now could be sold on a four per cent basis, but if this exemption is removed they would have to be sold on a five per cent basis. I want to ask you, as a man having some knowledge, whether you know of any large cities in the United States, whose bonds can not be sold anywhere, whether taxable or nontaxable, on the four per cent basis?

Mr. HARRIS, of Hamilton: You can answer that question as well as I can. I can say to you that there are any number of towns and villages—

Mr. JONES: I am talking about large cities. I ask you if you can tell this Convention of any large cities in the United States whose bonds will not sell anywhere, taxable or nontaxable, on a four per cent basis?

Mr. HARRIS, of Hamilton: I will say to you there are very few large cities west of Cincinnati that are able to sell bonds at that rate. Memphis is on a higher basis. Portland, Oregon, is on a higher basis. Vincennes offered me last Saturday public utility bonds on a basis of 5.95. I have read printed circulars about Portland, Oregon, offering public utility bonds—

Mr. JONES: I am not talking about public utility bonds or towns like Vincennes, but I am talking about large cities in this country. Do you not know that the bonds of all large cities will sell on a four per cent basis anywhere, taxable or nontaxable?

Mr. HARRIS, of Hamilton: I state as a fact, without fear of successful contradiction, that that is not so. I ask you as a banker to tell us what are the city of New York bonds selling for now?

Mr. JONES: Do not New York and Philadelphia and Boston bonds sell on a four per cent basis?

Mr. HARRIS, of Hamilton: The city of New York bonds are selling at a fraction over four per cent. They have advertised \$65,000,000 to be sold on May 19, within two weeks, bearing four and a quarter per cent, because they could not be sold at four per cent.

Mr. JONES: Are they nontaxable?

Mr. HARRIS, of Hamilton: Nontaxable in the state of New York.

Mr. JONES: How does it come, if there is anything in your argument, that in a city that has four-fifths of the liquid assets of the country, New York, they have to pay four and a half per cent when the bonds are nontaxable in New York?

Mr. HARRIS, of Hamilton: First, I do not say they would sell on a four and a half per cent basis. They are selling now on a 4.02 per cent basis. I simply answered your question and said they are offering bonds at four and a half per cent expecting to sell them on a 4.02 to 4.10 basis. And I say, as a complete refutation of your statement, that if the bonds of the city of New York were taxable they would not sell on a better basis than five per cent.

Mr. JONES: Do you not know that if the bonds of the larger cities of this country were offered to any large bank in Ohio that it would be glad to take any amount of them on a four or four and a half per cent basis?

Mr. HARRIS, of Hamilton: I say they will not do it if they are subject to taxation, because you know and I know that the only reason the banks buy them is to sell them at a profit.

Mr. JONES: You mentioned the other day an instance of where one bank had a million and a quarter of Cincinnati bonds that had been in their hands for forty years, and another place where a bank bought one million and held them during the entire term of the issue. Are not all issues of bonds of large cities bought by the banks that want to hold them as an asset easily convertible and practically as a reserve?

Mr. HARRIS, of Hamilton: You are familiar with the old axiom that "nothing lies like figures" when not properly presented?

Mr. JONES: I do not know that they are not properly presented.

Mr. HARRIS, of Hamilton: What I said was that one bank in the city of New York held a million and a quarter of bonds of the city of Cincinnati and had held them from the time of issue, and that another bank held about a million, and, what you are ignorant of, or you would not make the statement as a banker, is that under the laws of New York those particular bonds are exempt from taxation in the state of New York.

Mr. HARRIS, of Ashtabula: You have given us some information as an expert.

Mr. HARRIS, of Hamilton: I do not qualify as an expert.

Mr. HARRIS, of Ashtabula: Well, we are willing to accept it. I want to ask you what I think is a practical question. You have stated that these municipal, township or other public bonds would not be returned for taxation, or that taxes could not be obtained upon them?

Mr. HARRIS, of Hamilton: Yes.

Mr. HARRIS, of Ashtabula: Do you mean to state that it is not within the range of possibility for the general assembly to devise means whereby intangible property can be put on the duplicate?

Mr. HARRIS, of Hamilton: I do not believe it is possible for a general assembly to do that. The general assembly of which you were a member for two or more sessions, and all of those that preceded and followed you, have put upon the statute books what tax experts

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claim to be the most drastic system of statutes for the bringing out of personal property for taxation that any state in the Union has. You will find that many of the political economists have referred to the drastic laws of the state of Ohio on this subject.

Mr. HARRIS, of Ashtabula: It is true that the constitutionality of certain suggested laws has been in question, and it is said they are a violation of the section of the constitution relative to impairment of contracts. That we could remedy by a constitutional provision.

Mr. HARRIS, of Hamilton: Let me answer that. I know you are conservative and would not make a misstatement. The constitution of California had in it a provision somewhat similar to that to which you refer, making mortgages in the hands of the mortgagee subject to taxation. There was a right for the mortgagor to deduct the amount of the tax. There was a limitation as to the rate of interest. It seemed to be ironclad. You can refer to Thorpe's Digest for this section. That was a constitutional provision and if there was one section that seemed impossible to get around, that was it. It provided that taxes must be paid on those mortgages and after two or three years' trial—do you recollect the time, Professor Knight?

Mr. KNIGHT: I do not remember.

Mr. HARRIS, of Hamilton: After two or three years' trial they changed it by constitutional amendment because experience proved that the mortgagor bore the burden. He had to come to the man lending the money for his terms, and there was always added to the rate of interest an additional half or one per cent on account of the fear or risk that the mortgage could not escape taxation. After the fullest discussion and investigation, that provision was repealed because it was found that the poor man bore the burden, as usual.

Mr. HARRIS, of Ashtabula: I want you to state to the Convention if it is impossible to get those bonds and mortgages on the duplicate.

Mr. HARRIS, of Hamilton: There is one way of getting a small tax on mortgages or on notes and personal property in the form of bonds, and that is by placing them in a separate class bearing a very low rate of taxation; supplement the low special rate by a high penalty for failure to return for taxation and the problem will be solved.

Mr. HARRIS, of Ashtabula: How will you enforce the penalty if you do not find the bond?

Mr. HARRIS, of Hamilton: You can not, if you are unable to locate the personal property.

Mr. HARRIS, of Ashtabula: Why mention the penalty then?

Mr. HARRIS, of Hamilton: It simply appeals to human nature, it is the sword of Damocles. The same element which makes the man refuse to report intangible personal property in Cincinnati, where the rate is fifteen mills, and the bonds bring an income of three eighty-fives, because it is almost forty per cent of the income. Now the same element of human nature that will not pay forty per cent on the income derived from bonds, etc., if the rate were low enough—say one-quarter of one per cent, which would be equal to only ten per cent of the income (and the penalty being high)—would induce the holder to report them. It is essentially a practical question and not one of theoretic morality.

Mr. HARRIS, of Ashtabula: Haven't you omitted the idea that if the men who hold intangible personal property of all sorts would list it the tax rate would be very much lower than it is now and their burden would be lower?

Mr. HARRIS, of Hamilton: I will acknowledge that without any form of qualification.

Mr. HARRIS, of Ashtabula: It is pretty strange that we must encourage men to do what they ought to do by granting them exemptions in the twentieth century in the state of Ohio.

Mr. HARRIS, of Hamilton: But that is the history of the world. In your legislative career have you not often looked at the practical side of the question?

Mr. HARRIS, of Ashtabula: Once or twice.

Mr. HARRIS, of Hamilton: Do you not look at the practical side in dealing with your fellow men?

Mr. HARRIS, of Ashtabula: Yes. Now a last question: You have cited the case of the city of Youngstown, the credit of which is good, and which is able to offer bonds under the present exemption at an exceedingly low rate of interest. Suppose in benighted Ashtabula there is a man who has \$50,000 or \$60,000 worth of bonds and he is living there enjoying the police protection and fire protection and every protection the city affords—not many of course, but what we have —

Mr. HARRIS, of Hamilton: Judging from their representatives, they are up to date.

Mr. HARRIS, of Ashtabula: Is not he a valuable citizen, and ought they not to desire to have a lot more like him?

Mr. HARRIS, of Hamilton: You fall into the fallacy of many members of this Convention—the same as the member from Fayette [Mr. JONES] does, so you are in good company.

Mr. HARRIS, of Ashtabula: Yes.

Mr. HARRIS, of Hamilton: And the fallacy is worthy only of the only modern Adam Smith in this Convention. Do you not know that when you lend money at the established rate of six per cent interest, when you are paying one per cent in taxes you are getting a net income of five per cent on your money, and the man who buys a bond that is exempt from taxes takes four per cent, and the taxes are paid in the form of lessened rate of interest, so the bondholder's income is twenty-five per cent less than that of the banker?

Mr. HARRIS, of Ashtabula: Well, get down to Youngstown now.

Mr. HARRIS, of Hamilton: It is running in a circle. That is where the great fallacy of this whole proposition comes in. I say to you that the man who is buying municipal bonds in your neighborhood is paying a greater proportion of taxes than any single person in Youngstown, not excepting the man who owns real estate, because the rate of lessened interest on bonds is on one hundred per cent of value, while the real estate is very often assessed on seventy-five to eighty per cent of its real value.

Mr. HARRIS, of Ashtabula: I am afraid not.

Mr. HARRIS, of Hamilton: You are too fair-minded not to accept the correctness of this principle.

Mr. HARRIS, of Ashtabula: I am afraid not.

Mr. HARRIS, of Hamilton: Now there is one more proposition to which I want to call the attention of the

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Convention which is remarkable if you think over it for a minute. A person today who is taking (as we in Cincinnati are doing,) 3.85 per cent income on our city bonds, is getting one-third less income than he received ten years ago. It is a startling proposition and shows how wonderfully this exemption of municipal bonds from taxation has worked out to the credit of the different cities in the state and on what a relatively low basis our bonds are selling in the state.

According to the United States statistics the cost of living in the past ten years is about fifty-five per cent greater than ten years ago.

Mr. HARRIS, of Ashtabula: The same kind of living?

Mr. HARRIS, of Hamilton: So far as statisticians can arrive at it, but we won't quibble on that. Those are the statistics of the United States department. Therefore bonds selling on a 3.85 basis now, are selling on the equivalent of 2.50 as of ten years ago, bearing always in mind the lessened purchasing power of the dollar today.

Mr. HARRIS, of Ashtabula: Now one more question. You stated the other day that the man who had his property or wealth in four per cent bonds at the rate limited to fifteen mills would pay about forty per cent of his income?

Mr. HARRIS, of Hamilton: Yes.

Mr. HARRIS, of Ashtabula: And a man with \$10,000 in merchandise probably would make more out of that, but it would be subject to the same rate of taxation. Now if the man in business handling merchandise pays rent and interest and taxes and guarantees his help and puts his whole life in the business, is it not pure assumption on your part that he is getting any more net out of his \$10,000 than the other man, who does not have to lay awake at night and can spend his time in South Africa or Egypt, or anywhere else, knowing that what is left after he has defrauded the public out of taxes would enable him to continue during the period of his life free of care?

Mr. HARRIS, of Hamilton: He is not defrauding the public out of anything.

Mr. HARRIS, of Ashtabula: He would be if the municipal bonds were taxed.

Mr. HARRIS, of Hamilton: It is not a question of morality at all. It is a question of self preservation. I made that point as clear as the English language could make it.

Mr. HARRIS, of Ashtabula: I do not question the morals, but it is clear that you are assuming that merchandising is unvaryingly successful.

Mr. HARRIS, of Hamilton: Not at all—I made no such statement.

Mr. HARRIS, of Ashtabula: You are assuming that manufacturing is unvaryingly successful, and that the net income is higher than the income on bonds.

Mr. HARRIS, of Hamilton: No, sir; I did not assume anything of the kind. All bonds are not good either. Some railroads have been known to default. Every successful business pays a great deal more than four per cent on the capital invested.

Mr. HARRIS, of Ashtabula: That would not affect the principle we are considering; we are assuming they are all good.

Mr. HARRIS, of Hamilton: I think both sorts of

people are needed—the one with idle capital who, because he hasn't the desire, ability or courage, does not engage in business, and he who is willing to take the risks of a mercantile career. The first named furnishes part of the capital to the municipality by buying its bonds so that it can carry on public work.

Mr. HARRIS, of Ashtabula: Should he be exempt from all taxes to live in luxury?

Mr. HARRIS, of Hamilton: If you had the proper conception of taxes, you would not ask that question. The exemption of municipal bonds from taxation is not for the benefit of the buyer of the bonds, but for the credit of the city, so that the city can sell its securities at a very low rate of interest.

Mr. HARRIS, of Ashtabula: If he has enough invested in nontaxable bonds he can.

Mr. HARRIS, of Hamilton: The gentleman from Ashtabula, like a great many others, fails to take into account that great element of human nature against which all statutes are powerless.

Mr. HARRIS, of Ashtabula: I have never wholly believed it was not within the range of possibility to bring intangible property on the duplicate.

Mr. HARRIS, of Hamilton: I have not said it was impossible. I say it is improbable—intangible property is very elusive.

Mr. HARRIS, of Ashtabula: I mean at the same rate.

Mr. HARRIS, of Hamilton: The city of Baltimore has brought out of hiding hundreds of millions in a short period by exercising common sense. Personal property has there been put in a separate class with a rate high enough to bring in a fine revenue, and just low enough, with heavy penalties for non-listing, to tempt and encourage the owners to return same for taxation.

Mr. HARRIS, of Ashtabula: I do not see how you can find it better under the one system than the other.

Mr. HARRIS, of Hamilton: You do not have to find it. If you make the rate low enough, then capital in the form of this intangible property that now is not listed by the owners, because the uniform rate is confiscatory, will exclaim as did the inhabitants of the West Indies when Christopher Columbus came over in 1492, "We are discovered."

Mr. FLUKE: What is the rate on bonds in Baltimore?

Mr. HARRIS, of Hamilton: I think it is about four-tenths of one per cent.

Mr. FLUKE: Would not there be more property given in at two-tenths than four-tenths?

Mr. HARRIS, of Hamilton: Probably—but perhaps not twice as much.

Mr. FLUKE: Four-tenths is an arbitrary rate.

Mr. HARRIS, of Hamilton: Any rate is necessarily an arbitrary one. It is the part of statesmanship to fix on a rate that will produce the largest revenue, with the least friction in its collection. I believe that one question that has bothered the farmers is the question of mortgages, where the farmer does not distinguish between the mortgage note and the land. The sole reason he must always pay taxes on the land is because the land cannot be moved from place to place, nor concealed in a safe deposit vault, as can intangible personal property. If it could be readily moved or easily concealed, the "honest

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farmer" would be placed in the same class as the "bloated bondholder" who fails to list his property for taxation. If mortgages were put in a separate class bearing not over one-half of one per cent, the state would get a great deal of revenue and the farmer would get a low rate of interest.

Mr. PIERCE: I move to lay the Halfhill amendment and the Harris amendment on the table.

Mr. DOTY: On that I call the yeas and nays.

Mr. HARRIS, of Hamilton: I demand a division.

Mr. DOTY: I demand the yeas and nays on either division.

Mr. HARRIS, of Hamilton: My amendment is not to the Halfhill amendment.

Mr. PIERCE: That being true, I withdraw from my motion the Harris amendment, and I move to lay the Halfhill substitute on the table.

Mr. ANDERSON: I believe, in the first place, the Harris amendment was out of order, because the business before the Convention was the Halfhill substitute, and I can not imagine how we can table something that is not before the Convention.

The PRESIDENT: The motion is to lay the amendment of Mr. Halfhill on the table.

Mr. WINN: A point of order. The motion of the member from Butler was to lay both the substitute of the gentleman from Allen [Mr. HALFHILL], and the amendment of the delegate from Hamilton on the table. The gentleman from Butler [Mr. PIERCE] is willing to withdraw part of his motion, but I seconded it and I do not consent to the withdrawal.

Mr. DOTY: Upon that I demand a division of the question.

Mr. ANDERSON: A point of order. We have first the original proposition, then the Anderson substitute was adopted for the report of the committee, then we added to that amendment the substitute amendment of the gentleman from Allen, and the substitute amendment was the only thing at that time before the Convention. Then we have an amendment offered by the gentleman from Hamilton [Mr. HARRIS] to the Anderson substitute. Now I insist that under the rule the Harris amendment was and is out of order.

Mr. LAMPSON: The gentleman is too late to make the point of order. If he desired to make that point of order it should have been made at the time the Harris amendment was offered.

The PRESIDENT: The point of order is not well taken. The question is, Shall the amendment of the delegate from Allen be tabled?

The yeas and nays were regularly demanded, taken, and resulted—yeas 63, nays 37, as follows:

Those who voted in the affirmative are:

Anderson,	Dwyer,	Johnson, Madison,
Baum,	Earnhart,	Johnson, Williams,
Beatty, Morrow,	Eby,	Jones,
Beyer,	Fackler,	Keller,
Brattain,	Fess,	Kilpatrick,
Brown, Pike,	FitzSimons,	Kramer,
Cassidy,	Fluke,	Kunkel,
Cody,	Fox,	Lambert,
Collett,	Harbarger,	Lampson,
Colton,	Harris, Ashtabula,	Longstreth,
Crites,	Henderson,	Marshall,
Cunningham,	Holtz,	Mauck,
Dunlap,	Hursn,	McClelland,

Miller, Crawford,	Price,	Tetlow,
Miller, Fairfield,	Riley,	Thomas,
Norris,	Rockel,	Wagner,
Okey,	Solether,	Walker,
Partington,	Stevens,	Watson,
Peters,	Stewart,	Winn,
Pettit,	Stokes,	Wise,
Pierce,	Tannehill,	Woods.

Those who voted in the negative are:

Antrim,	Harter, Huron,	Nye,
Campbell,	Harter, Stark,	Read,
Cordes,	Hoffman,	Redington,
Crosser,	Hoskins,	Roehm,
Davio,	Kerr,	Rorick,
Doty,	King,	Shaffer,
Elson,	Knight,	Smith, Geauga,
Evans,	Leete,	Stamm,
Farrell,	Leslie,	Stilwell,
Hahn,	Malin,	Taggart,
Halenkamp,	Marriott,	Ulmer,
Halfhill,	Matthews,	Mr. President.
Harris, Hamilton,		

So the amendment of the delegate from Allen [Mr. HALFHILL] was tabled.

The PRESIDENT: The question now is, Shall the amendment offered by the member from Hamilton [Mr. HARRIS] be tabled?

The yeas and nays were regularly demanded, taken, and resulted—yeas 55, nays 45, as follows:

Those who voted in the affirmative are:

Anderson,	Hoskins,	Peters,
Baum,	Hursh,	Pettit,
Beatty, Morrow,	Johnson, Madison,	Pierce,
Beyer,	Johnson, Williams,	Riley,
Brattain,	Jones,	Rockel,
Brown, Pike,	Keller,	Solether,
Cody,	Kilpatrick,	Stevens,
Colton,	Kunkel,	Stewart,
Crites,	Lambert,	Stokes,
Cunningham,	Lampson,	Tannehill,
Earnhart,	Leslie,	Tetlow,
Eby,	Longstreth,	Thomas,
Fess,	Marshall,	Wagner,
Fluke,	Mauck,	Walker,
Harbarger,	Miller, Crawford,	Watson,
Harris, Ashtabula,	Miller, Fairfield,	Winn,
Harter, Huron,	Okey,	Wise,
Holtz,	Partington,	Woods,

Those who voted in the negative are:

Antrim,	Hahn,	McClelland,
Campbell,	Halenkamp,	Norris,
Cassidy,	Halfhill,	Nye,
Cordes,	Harris, Hamilton,	Price,
Crosser,	Harter, Stark,	Read,
Davio,	Henderson,	Redington,
Doty,	Hoffman,	Roehm,
Dunlap,	Kerr,	Rorick,
Dwyer,	King,	Shaffer,
Elson,	Knight,	Smith, Geauga,
Evans,	Kramer,	Stamm,
Fackler,	Leete,	Stilwell,
Farrell,	Malin,	Taggart,
FitzSimons,	Marriott,	Ulmer,
Fox,	Matthews,	Mr. President.

So the motion to table the Harris amendment pre-vailed.

Mr. HOSKINS: I want to get straightened out a little. We ordered the Anderson substitute printed?

The PRESIDENT: Yes.

Mr. HOSKINS: Whose amendment was it in line 10 that struck out after "bond" the words "at present outstanding"?

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Mr. HARRIS, of Hamilton: That was just what I tried to put in.

The president here recognized the gentleman from Warren.

Mr. EARNHART: Mr. President and Gentlemen of the Convention: In the matter of taxation, or rather the methods employed to create a system for levying of taxes, we are all vitally interested. It is the patriotic duty of every man to pay his just share without partiality or equivocation. The uniform rule is the only fair method for the distribution of the burdens imposed. Classification opens the door for favoritism and evasion. Its tendency is to protect the idle rich at the expense of the toiling masses. The Smith one per cent law is made the butt of ridicule by classificationists, who are in the boat of singletaxers and are trying to propel their unseaworthy craft against the current of popular sentiment. They seek to shield those best able to pay under the pretense that by giving them a lower rate they may be induced to list their property for taxation, and thereby derive some benefit which is now withheld. This would be a cowardly compromise with predatory criminals. What a spectacle! Must we treat with conspirators to induce them to partially obey the law, or shall we try some other means to regulate them? It would be more creditable and vastly more profitable to invoke and exercise the Jacksonian spirit and tell them to "come in or by the Eternal we will whip you in."

The Ohio tax commission has been doing a splendid work in increasing the aggregate of the grand tax duplicate despite the efforts of privileged classes and singletaxers to obstruct their efforts and revile their purpose. They deserve the hearty co-operation of every man who wants to be found upon the side of "equal and exact justice" in the matter of raising revenue for public expenses. It must be borne in mind that the legislature to be elected next fall should be men of intelligence and courage, whose sympathy will be in the interest of the masses and who will stand firm against the intrigue of the designing classes. It will be within their power and their imperative duty to provide means whereby each interest shall be subject to a uniform rate of taxation. And any violation of this principle should be subject to a prison sentence. All notes, mortgages, bonds and other papers of money value should bear the stamp of the assessor on tax day, each year, and be non-collectable without it. This could be easily provided for by the legislators if they were not susceptible to bribery.

There is no justification in any kind of state, county, township or municipality bonds being exempt from taxation. Their greater security will always be a potent factor in their being sold at a lower rate of interest than can be obtained by the private borrower, even though they were taxed the same as other property. Their identity can be maintained the same as notes and mortgages and this plunderbund oligarchy can be brought within the pale of common decency. The old familiar cry of special privilege that "this would drive capital out of the state" would be set up, but would soon be disproved despite the efforts of bondbrokers and corporation lawyers to fatten by plying their vocation. Now that real property is appraised at its full value, and with the one per cent law in force, there is no longer any form of excuse for concealment.

The argument that it is human nature to evade the law is a sad commentary upon the dignity of the present-day civilization. I cannot conceive how any member can stand upon this floor and subordinate what his conscience must tell him is simple justice to a desultory scheme of unprincipled expediency. Such dogmas ought to bring the blush of shame upon the countenance of every sane person. Highly favorable conditions to the borrowing of money, whether it be by the individual or corporation, generally leads to extravagance and want. The present practice of saddling a debt upon posterity greatly exceeds the limit of propriety. Instead of transmitting to them a valuable heritage, we encumber them with an unjust liability. Present needs do not warrant such a procedure. We need not take a backward step or even slacken our pace in the march of progress, but should economize and avoid riotous living.

Tax bonds rob the small counties and center the money in the large cities. It is said assessors are incompetent. If so, we should elect better men and not change the principle. The chairman of the Taxation committee declared in his speech that classification would benefit farmers. Does he have a special commission to speak for them, or is he simply acting in the role of the Good Samaritan?

The people unconsciously exempted bonds from taxation by voting a straight ticket under which an affirmative vote on the amendment was ingeniously placed. They are now anxious to correct their mistake if given an opportunity to do so. It is the duty of this Convention to give them such opportunity. If cities need more revenue, let them see to it that a larger duplicate is obtained and all will be well. The country districts have some rights that should be respected.

The Convention here recessed until this evening at seven o'clock.

EVENING SESSION.

The Convention met pursuant to recess and was called to order by the president.

Mr. MILLER, of Crawford: Mr. President and Gentlemen of the Convention: I purpose to use but a few minutes in the discussion of the tax proposition now before us.

I think if there is one thing in which our constitution should be explicit and provide for some degree of permanence it is the matter of taxation. The uncertainty as to the rates in the past has afforded the excuse for hiding property, a practice that has been approved, though it has struck at our integrity and patriotism.

I am earnestly in favor of the limitation of rates, and that limit should be one per cent, but I realize that some of the cities claim that it will be impossible to carry on their local government under that rule, and as we do not wish to impose any hardship on any district, I voted for the increase as provided for in the Lampson amendment, although I think that if the same efforts were to be made to find the hidden property as are made to increase the rate, there would be no necessity even for asking an increase.

I am pleased that the amendment to continue bonds on the nontaxable list was defeated, and now, in connection with that, we should adopt the suggestion of the member

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from Meigs [Mr. STEWART], and write a mandate into the constitution compelling the bond-issuing authorities to provide for the retiring each year of a certain per cent, and not allow the practice to continue that has been accountable for the conditions that now exist in some places, where bonds and obligations are maturing and no provision is made for their payment, except the refunding process.

We would certainly think that any business enterprise, corporate or private, that failed to provide for the meeting of at least a portion of its debts each year was not a very carefully managed concern, and it would take only a few years to prove the unsoundness of that kind of financing.

The whole discussion upon this subject of taxation seems to be based on how to secure more money, greater revenues, and scarcely a word or suggestion as to how the expenditures could be reduced. How would it be if some real efforts were to be made in establishing some intelligent, effective budget system for each division of the local government, with a view of introducing sound business economy in the management of the business affairs of our state and local governments?

When we once come to consider that a dollar wasted in public expenditures is a dollar just the same, and cease to treat it as a joke, but demand that public business be just as carefully transacted as a well-managed private business, we will have made some progress.

I should like to see written into the constitution the elimination of the direct state tax. This provision was made in both the majority and the minority reports, and should be retained in the substitute.

The mixing of state and local levies and the taxation of the same property for both state and local purposes affords the opportunity and inducement to conceal from the taxpayers the real cost of local government, and it would remove the generous rivalry which now exists in every county to keep down the appraisements in order to avoid paying more than the proper part of the state taxes.

Eliminate this state levy and then direct our efforts to relieving, in a measure at least, the general taxpayer whose property is subject to the intolerable burdens for the support of county and municipality.

I quote from Charles J. Bullock, professor of economics, Harvard University, Cambridge, Mass.:

Intangibles escape pretty largely, of course, but tangibles are undervalued. That is particularly true in the country when they value cattle. It is also true with assessors in industrial districts when they value machinery and stock in trade. Tangibles are undervalued and intangibles escape or are undervalued, but doubtless the evasion is greater in the case of intangibles than tangibles.

The small home-owners and the farmers have been the taxpayers that have been imposed upon under the old regime. With the new they are satisfied. But now comes the clamor for the classification of property, and every petition and every request have come from other than the home-owners, because they feel that if the present law is strictly enforced and there is some real effort made looking to economy in the administering of our public affairs, there will be some relief afforded to those who

are entitled to it. Two farmers have said their taxes are lower under the present Smith law to one that has said the taxes were higher, notwithstanding the member from Cuyahoga [Mr. DOTY] characterized this statement as buncombe. He supposed that the secretary of agriculture had asked for answers to this one question alone. He did not know that thirty other apt and pertinent questions were included on the same sheet, and interesting answers given to all.

Mr. DOTY: You do not contend that the Smith Law lowers taxes?

Mr. MILLER, of Crawford: I contend that we have gotten away from the system of appraising, that we are appraising up to one hundred per cent, and under that arrangement, with a one per cent limit, there is no doubt that taxes have been lower than they were.

Mr. DOTY: You recognize that the one per cent law is not an assessment law?

Mr. MILLER, of Crawford: It is the means of securing the amount of money necessary to be raised by taxation.

Mr. DOTY: Is not the assessment taken care of by another statute?

Mr. MILLER, of Crawford: Yes.

Mr. DOTY: I do not think I used the word buncombe, but that is neither here nor there. Do you not recognize that the Smith tax law had nothing to do at all with the raising or lowering of anybody's taxes?

Mr. MILLER, of Crawford: No, sir.

Mr. DOTY: Do you contend that the Smith tax law increased or lowered taxes?

Mr. MILLER, of Crawford: That, in connection with the requirement that property should be valued at one hundred per cent.

Mr. DOTY: Why should it raise some and lower others?

Mr. MILLER, of Crawford: I cannot answer that.

Mr. DOTY: Is it not because of the assessment?

Mr. MILLER, of Crawford: No, sir; it is more likely that the people whose taxes were increased had improvements.

Mr. DOTY: That is entirely a matter of appraisalment then?

Mr. MILLER, of Crawford: It is a matter of appraisalment, but if that property were not there to appraise their rate would not be lower under that one per cent.

Mr. DOTY: Has the one per cent anything to do with it? Is it not the assessment entirely?

Mr. MILLER, of Crawford: I cannot concede that. The whole contention seems to be that intangible property escapes taxation, and yet the advocates of classification do not seem to be able to suggest how this kind of property is to be reached even under the classification scheme, except that because of the low rate they propose to place upon this intangible property it will induce the holders of this property to list the same for taxation. Then they proceed to show how the one per cent limit, a reduction of over one-half of the former rate, has been an entire failure; in other words, they might as well acknowledge that if a property holder is willing to perjure himself for a one per cent tax, he will do it for one-half per cent. I contend that what we need is to give our moral and hearty support to our tax commission in their

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earnest efforts to find this hidden property. If they are hampered by the lack of laws to enforce the listing of this property, then I believe the legislature will grant some additional power, since now there can be no reason for any loyal citizen to seek to evade his taxes. In this connection I wish to read from a clear and fair statement in an editorial of the *Ohio State Journal* of April 24, 1912, and a comment thereon by another paper:

It is said the assessors will add materially to the personal property list for taxation. Most of them are pushing their work with vigor, and are adding vast sums that have not heretofore appeared on the tax duplicate. It has not appeared heretofore because of the high rate. A property holder considered it oppression to pay three per cent on his possessions. It was, but he should have returned his property notwithstanding.

Now the incentive to perjury and dishonesty has been withdrawn. Public authority no longer encourages the property owner to tell a lie. The one per cent rate promotes integrity, which is a greater thing than plenty of revenue. The lowest public policy imaginable is fixing a rate that men will lie out of. We can better do without schools, fire protection, parks, or anything else, than honest and faithful citizens.

We are making more today, in the honest returns of property than the revenue will amount to, for a true life is measured not by money, but by virtue and integrity.—*Ohio State Journal*.

The *Journal* advances moral ideas which are ideal, but in some respects its reasoning appears lame. As a matter of fact, the reform so far applies only to chattels, and today chattels pay less than ever before, and real property more.

It may well be doubted how sincere is the virtue which needs a bonus for its integrity. It may well be doubted what incentive to honesty appears in increased valuations and lowering rates. It may well be doubted how long such honesty would endure, if it exists at all, when the bonus is no longer in sight.

The incentive to perjury is not withdrawn. Its ground is shifted. The man who will lie for \$100 will lie for \$50. What is needed is a system which will compel the listing of all property, chattel as well as real, and enforce it. It is poor business to give Paul a part of Peter's property, to induce Paul to put on the front of an honest man.

When the papers of this state, such as the *Ohio State Journal*, join with us and advocate the listing of property, both from a sense of duty and integrity, and forget to intimate that the whole scheme is political buncombe, and cease to excuse the unfair listing of property, then we will begin to make some noticeable strides in the correction of unequal burdens in taxation.

To show that classification of property does not produce the results that are claimed for it, in reference to intangible property, let me state that section 13 of the constitution of Virginia permits the classification of property.

At the Fourth International Tax Conference, held in Milwaukee in 1910, Mr. T. C. Townsend, state tax com-

missioner of West Virginia, was discussing taxation work in West Virginia, and Mr. Byrd, of Virginia, asked Mr. Townsend the following questions:

Mr. Byrd: How do you equalize your assessments of personal property? How do you bring out the intangible property? What is your method? Is that under central control or under local control?

Mr. Townsend: That is under central and local control combined. We are like a great many other states, we do not bring it out. We can't get at all of it.

Mr. Byrd: I am interested in the question of how to get that personal property out, particularly intangible property. I was in hopes you had some method by the exercise of some central authority by which you could bring that out. We are laboring with that question now in Virginia.

Mr. Townsend: We have labored in West Virginia for a low tax rate. We cannot classify property for taxation. I would recommend we pursue the policy adopted by the states of Pennsylvania and Maryland; that is, a specific rate on intangible property. But inasmuch as we cannot do that under the restrictive provisions of our constitution, we are in favor of a low rate, and we have reduced the rate to such an extent that we have brought out a great deal more intangible property than we had on the books under the high rate.

This is certainly a frank admission that the hidden property is the source of as much annoyance in Virginia, with its classification, as it is in West Virginia or any other state where the uniform rule prevails. A challenge as to rates was issued by Mr. Townsend to the states of the American Union, and who accepted the challenge? Was it a state with classification? No, but one with the uniform rule—Kansas. Ohio has taken her lesson from West Virginia, and if we only sustain and uphold our tax commission by a clear and expressed public opinion, we will soon have removed the odium from our method of taxation.

Let us for once try the expediency of upholding the law and the constitution; having resorted to everything else, we might try the experiment of obeying them.

I maintain that the good citizens of Cleveland have a duty to perform in the investigating of the returns of some of their corporations, and if the reduction of from ten to sixty per cent from last year's personal returns is not justifiable, then the assessing officers and the corporations should be punished. The citizenship of Cleveland and of every other taxing district should stand as a unit for full and honest returns from every owner of property, be the owner a corporation or an individual.

Provide for the elimination of the direct tax by the state, and nothing remains but for each taxing district to secure the just portion from each property owner within its limits.

I am pleased that the substitute of the member from Allen [Mr. HALPHILL] was offered first, because it would have left the whole matter to the legislature. This would open up the fight every session of the general

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assembly, and results would be very unsatisfactory, as shown by an address of Clement F. Robinson, of Portland, Me.:

After examining the mass of legislation which was put forth by the comparatively few legislatures which met this year, and after noting how few of the acts on the subject of taxation show any real attempt to grapple with the difficult problems of the method of obtaining revenue, one is more than ever convinced of a lack of well-educated public opinion, and of the need of conferences such as this to formulate and direct the needed reforms.

Mr. Halfhill said that with classification would come the shifting of the burden of taxation from real estate to personal property. Listen to what Professor Charles J. Bullock, of Harvard, said under the caption of classification—that classification of property must be based upon facts, and the first fact it must recognize is that the heavy taxes needed at the present time to defray the increased cost of local government must fall, chiefly, upon real estate:

Intangible property is easiest of all to conceal or remove from one jurisdiction to another. It can be taxed successfully only by making the rate moderate and uniform throughout the widest possible area. For this reason it is desirable not only that the rate should be the same through an entire state, but that the various commonwealths should, so far as practicable, bring their rates to a common standard. In the next place, intangible property consists of investments from which the owners on an average derive but simple interest; perhaps five per cent is a fair average in most parts of the United States. In a reasonable system of classification, then, it would seem that the rate for intangibles should not exceed such a figure as a government can collect with reasonable certainty from property that is easily concealed and yields only an income of five per cent. Experience shows that from five to six per cent of the income is a reasonable figure for any tax upon intangible wealth; and that taxes exceeding this rate, by causing evasion, are less productive than those which do not exceed it. Pennsylvania and Maryland have learned this lesson and have demonstrated that a tax of 30 or 40 cents per \$100 is the safe limit in the taxation of intangibles.

Much has been said in reference to the inconsistency of the uniform advocates, because they allow some classification; they are no more inconsistent than those favoring classification. For proof listen to the same authority quoted above. Professor Charles J. Bullock says:

I take it that we are all agreed that our committee on uniform classification of real estate have performed a very important task, and that this report is a very substantial record of progress. It is not to be expected, however, that any such first report could cover all the ground; and the report is such as to give me at least a desire for more of the same sort of thing. I am going to move, Mr. Chairman, that the report be accepted, and

then serve notice at this time that I am going to submit to the committee on resolutions a resolution asking for the continuation of this committee, with a view of further investigation. I believe, for instance, that if this committee should send this report to every state and local official to whom they applied for information, they would receive a volume and a kind of information about local conditions that would enable them to bring out a report next year that would be of great value.

The resolution referred to by Professor Bullock is as follows:

WHEREAS, This conference is of the opinion that the adoption by the several states of the Union of an inheritance tax law, framed along the lines of that submitted by the special committee of the association, would provide a fair return to the state treasuries, avoid double taxation, and promote interstate comity;

Resolved, That the secretary of the International Tax Association be requested to forward to the proper officials of the several states of the Union a copy of the proposed law, together with the text of this resolution, with a request to submit the same to the proper committee of the legislature at its next session.

What is the idea of modern taxation tendencies? I quote from page 304, Third International Conference, 1909:

In the taxation efforts of the nation there are three distinct tendencies:

First. The exemption of credits and the gradual shifting of the burden of taxation from personal property to land holdings.

Second. The employment of taxation as an introductory and partial agency in the regulation of mercantile and manufacturing corporations.

Third. A recognition of the principle which fixes taxation upon the earning power of man and property.

What report was made to the conference in reference to Ohio's recent laws and the creating of a tax commission? On page 269, Fourth International Conference, 1910, is the following:

By creating a permanent tax commission Ohio has this year joined in a movement, inaugurated a few years ago by some of its neighboring states, which seems to have won the general support both of practical administrators and of theorists. Minnesota, Wisconsin, Michigan and West Virginia, by centralizing their tax systems, have increased their revenues and equalized the burdens of taxation, and Ohio seems inclined to attempt the same result. The Ohio law is the most elaborate of any I have seen, and embodies the most effective terms of the acts in those states which have been taken as models.

And I only cite this because it has been charged that all the argument produced by the uniform advocates is unsupported by any worthy or learned authority.

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Mr. HALFHILL: The maximum rate of one cent under the present valuation is about equal to the rate of three cents under the valuation of 1910?

Mr. MILLER, of Crawford: I think so.

Mr. HALFHILL: So that when this amendment proposed by Mr. Lampson of twelve mills goes into the constitution it will equal thirty-six mills under the old valuation?

Mr. MILLER, of Crawford: Yes, sir.

Mr. HALFHILL: And this proposal then does raise the tax limit as fixed by the legislature to the extent of six mills?

Mr. MILLER, of Crawford: Yes; I think I stated in the beginning that I was very favorable to the one per cent limit, but if there is any truth in the statement that they can not possibly get along with that one per cent limit, I would vote for the Lampson amendment on that account. In our town and county we can get along on the one per cent.

Mr. HALFHILL: This twelve mills in the Lampson amendment applies to property outside of a municipality?

Mr. MILLER, of Crawford: I am very sorry it does. I would like to see the amendment general.

Mr. HALFHILL: And the limit in this — the extreme limit — is fifteen mills?

Mr. MILLER, of Crawford: Yes, but it is not mandatory. It is permissive.

Mr. HALFHILL: Suppose in raising levies in the city they find it necessary to raise in the country also?

Mr. MILLER, of Crawford: I don't think it will be necessary.

Mr. HALFHILL: Are you in favor of putting a tax limit into the constitution?

Mr. MILLER, of Crawford: Yes.

Mr. HALFHILL: Then by putting this limit in here have you not voluntarily voted to raise the tax limit to the extent of six mills on property outside of the municipality?

Mr. MILLER, of Crawford: As I stated, out of consideration to the municipalities I am willing to have that done.

Mr. HALFHILL: You could raise it in the municipalities and not outside?

Mr. MILLER, of Crawford: Yes; we could have done that, and I shall not be surprised if it is yet done.

Mr. HALFHILL: Do you not suppose that the legislature will be prevailed upon immediately to repeal the existing one per cent law, and then the only limit will be in the constitution?

Mr. MILLER, of Crawford: They might be prevailed on if there is no limit in the constitution. They could not go above twelve mills.

Mr. HALFHILL: Do you not suppose that the legislature will justify itself by saying that this Convention raised the tax limit?

Mr. MILLER, of Crawford: It is possible.

Mr. HALFHILL: And, therefore, they will repeal the other law?

Mr. MILLER, of Crawford: I do not know what they will do. I do not know but what, if the opportunity is presented, I will vote to retain the one per cent.

Mr. LAMPSON: Does not the gentleman know that we do not limit at all, but just put a maximum above

which the legislature cannot go, and if we do not put any maximum —

Mr. MILLER, of Crawford: The legislature can go as high as it pleases.

Mr. NORRIS: I understand that this proposal now under consideration is the amendment introduced by Mr. Lampson. Is that it?

Mr. MILLER, of Crawford: That is part of it.

Mr. NORRIS: Does that limit taxes at all?

Mr. MILLER, of Crawford: Yes.

Mr. NORRIS: How?

Mr. MILLER, of Crawford: It provides for a limitation of twelve mills.

Mr. NORRIS: It provides for a limitation of twelve mills?

Mr. MILLER, of Crawford: Yes; twelve mills for the country districts and fifteen mills in the municipalities.

Mr. NORRIS: Excluding interest and sinking fund?

Mr. MILLER, of Crawford: Yes.

Mr. NORRIS: Can the legislature not assess fifty mills for sinking fund purposes, and is there in fact any limit as to the sinking fund and the issuing of bonds?

Mr. MILLER, of Crawford: Under the present law?

Mr. NORRIS: Under this proposal.

Mr. MILLER, of Crawford: No.

Mr. NORRIS: I suspect not, too. So, is there any limit at all?

Mr. MILLER, of Crawford: I do not know. The words, "exclusive of sinking fund", of course, do not apply to the country.

Mr. NORRIS: They do not?

Mr. MILLER, of Crawford: No, sir.

Mr. NORRIS: I advise the gentlemen in charge of the matter to look to the wording of their proposal.

Mr. MILLER, of Crawford: The proposal, as far as the country is concerned, gives an extreme limit of twelve mills.

Mr. JOHNSON, of Williams: Mr. President: The question of taxation is an important one, not only in this country but in every country in the world. The first duty of the government is to protect its citizens so that they may enjoy their life, their liberty and their property. A government that does that well has furnished sufficient reason for its existence. A government can not be maintained without money. Its very existence depends upon its authority to compel its citizens to contribute to its support. A government to be successful must have the confidence and support of its citizens and this is especially true in a republic. A hated government can not last. I presume that the one thing that has caused more discontent in this country than all the other questions combined is the question of taxation. I do not know that I can furnish the Convention with an information that will help solve that question. After this question had been discussed and thoroughly considered by the committee on Taxation, and no agreement reached, I agreed to sign the majority report so that it could be presented to the Convention for its consideration. I might further add that the report was signed with a positive understanding that I would be at liberty to speak and vote just as I thought best when the matter was considered by the Convention. I was somewhat amused when my friend, the member from Cuyahoga county [Mr.

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DORV], said that the member from Guernsey [Mr. WATSON] and the member from Medina [Mr. WOODS] were paying the taxes of the city people and did not know it. The chairman of the committee on Taxation says property does not pay taxes. People pay taxes. I read something like that many years ago. There is much truth in it. Notwithstanding he asserted that property does not pay taxes and never did pay taxes, yet he claimed that every one who owns property desires to have his particular class of property exempted. I quite agree with him that people pay taxes. Yes, every one of them, men, women, children imbeciles and idiots, all are supposed to pay taxes if they own property, and I sometimes think that those who do not own property pay taxes also. Not only do they pay taxes, but they pay more than their just share of the taxes for the support of the government. It is claimed by many that the consumer pays all the taxes; perhaps it is true that the consumer in the end pays the taxes.

In the discussion in regard to classification of property for taxation much is said about the single tax. If classification is right, and if there is a demand for it, I think it is wrong at this time to oppose it because of the claim that it will lead to single tax. In my opinion classification will not lead to single tax; it has nothing whatever to do with that subject, and if it should prove a good thing it would have a tendency to prevent the adoption of single-tax measures.

I do not know whether I am a singletaxer or not, but I do know that if there ever is a landed aristocracy in this country, or if the land in this country is owned by persons who do not farm it, and if we become a nation of tenant farmers, then single tax will not hurt the land owner, for he will simply shift the taxes upon the consumer, who will be compelled to pay it. Nothing is more certain.

I repeat, I do not know whether I am in favor of the single tax or not, but I do know that all this cry about single tax does not frighten me in the least.

There is a great deal of discussion about the classification of property for taxation. I am inclined to think that a just classification might be a good thing but that it should not be made in the interest of any particular class.

It is sometimes supposed that all classes of intangible property should be taxed at its full value in money, and if it is not so taxed corporations will be relieved from contributing their just share of taxes for the support of the government. In my opinion that is a fallacious supposition. The taxation of all classes of intangible personal property has never been a success no matter what penalties were attached thereto.

In his discussion of this question I was surprised to hear the member from Fayette county say that no one in that county ever evaded or even attempted to evade paying his just share of the taxes, and in the next breath say that the people in the same county elected their assessors in the past with the understanding that the property of the county should be assessed at less than its true value in money.

In this discussion I wish to read a few paragraphs taken from a collection of essays by Bolton Hall in a book entitled "Who Pays Your Taxes?" These paragraphs will be found in chapter 7, entitled "Robbing One

Another.' This chapter is Mr. T. G. Shearman's lecture delivered before the Ohio legislature about twenty-five years ago:

There is no more persistent notion than that the taxation of personal property will transfer the burdens of government to corporations and relieve various classes of the community, especially the farmer, from taxation that they are little able to bear.

In some states the business of perjury is mostly confined to the assessors who regularly make returns which they know to be false but cannot make true. In others, such as Ohio, Vermont and Connecticut, perjury is the business of the taxpayers.

Experienced Ohio assessors say that the most honest returns of property are always made by the poorer classes and the most inadequate returns by millionaires, while widows, who have no experience in business and trustees who represent widows and orphans, are taxed upon every dollar that they own.

In 1879 California adopted a new constitution. It was carried through by the votes of farmers. Merchants, bankers and capitalists generally voted against it. Under that law it was attempted to get most of the chattel property of the state listed at a fair value, with this result: In 1880 the personal property of San Francisco, not including money, amounted to \$68,584,000, but in 1886, six years after the constitution was amended, personal property was returned to the amount of only \$48,705,000. But in regard to money returned for taxation the discrepancy was even greater. In 1880 the money returned amounted to \$19,747,000, but in 1886, six years later, it amounted to only \$6,188,000.

I do not care to be responsible for the accuracy of the statements made in my quotation from Mr. Shearman's lecture, but assuming that these quotations are in the main correct, it is evident that the constitutional amendment in California has not resulted in bringing personal property out of its hiding place. Whether personal property can be placed on the tax duplicate for taxation in Ohio remains to be seen.

Now, in regard to my own views concerning taxation. I very much dislike to have the tax rate fixed in the constitution, but if the rate is placed in the constitution I am opposed to having it fixed at greater than ten mills, or one per cent, for the rural communities. I would like to have the constitution provide for the income tax as well as a tax on inheritances; and while I am personally in favor of a just and fair classification of property for taxation, and think that it would be an excellent thing for the people of the state, because I believe that it could be so arranged as not to discriminate against the farmer, yet, Mr. President and gentlemen, I shall not vote to put classification into the constitution of Ohio because nine-tenths of my constituents are opposed to it, and also because I think its submission might have a tendency to defeat the constitution as a whole.

I am opposed to submitting a proposition to tax the bonds of the state. Only a few years ago an amendment was adopted providing that state and municipal bonds

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should not be taxed. I voted against the amendment, but notwithstanding the opposition to it, it was carried by a large majority. I think it would be best to give that amendment a little further trial before it is repealed. I think it is very unwise to submit too many questions at this time upon which there is such intense feeling. I hope that this Convention may provide for some progressive measure in regard to taxation so that it may meet with the approval of the people. In my opinion, if such a course is not adopted we might better leave the constitution as it is in regard to that subject.

Mr. JONES. I want to inquire if the gentleman did not misunderstand my statement with reference to evasion of taxes in Fayette county? What I meant to say was that it had been almost universal heretofore to evade taxes as to intangible property, but to my great satisfaction we are greatly improving that situation since the passage of the one per cent law.

Mr. JOHNSON, of Williams: I misunderstood the gentleman then, and it does him no harm if he didn't say it. I understood him to say it.

Mr. FACKLER: I offer an amendment and will make a short explanation, not taking any other gentleman's time. This amendment is offered to reach a ground upon which—

Mr. WINN: I rise to a point of order. The amendment has been offered, but it has not been read.

The amendment was read as follows:

Amend Proposal No. 170 as follows: Strike out all after the resolving clause and substitute the following:

ARTICLE XII.

SECTION 1. The levying of taxes by the poll is grievous and oppressive; therefore no poll tax shall ever be levied in this state, nor service required therein, which may be commuted in money or other thing of value.

SECTION 2. Laws shall be passed, taxing by a uniform rule, all moneys, credits, investments in bonds, stocks, joint stock companies, or otherwise; and also all real and personal property according to its true value in money excepting all bonds at present outstanding of the state of Ohio or of any city, village, hamlet, county, or township in this state or which have been issued in behalf of the public schools in Ohio and the means of instruction in connection therewith, which bonds so at present outstanding shall be exempt from taxation; but burying grounds, public school houses, houses used exclusively for public worship, institutions of purely public charity, public property used exclusively for any public purpose, and personal property, to an amount not exceeding in value two hundred dollars for each individual, may by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal; and the value of all property, so exempted, shall, from time to time, be ascertained and published as may be directed by law.

SECTION 6. Except as otherwise provided in this constitution the state shall never contract any debt for purposes of internal improvement.

SECTION 7. Laws may be enacted providing

for the taxation of the right to receive or succeed to estates, and such tax may be uniform or it may be so graduated as to tax at a higher rate the right to receive or to succeed to estates of larger value than to estates of smaller value.

Such tax may also be levied at a different or higher rate upon collateral inheritances than direct inheritances and a portion of each estate not exceeding twenty thousand dollars may be exempt from such tax.

SECTION 8. Laws may be enacted providing for the taxation of incomes, which tax may be either uniform or graduated, and either general or confined to such incomes as may be designated by law, but a part of each income not exceeding three thousand dollars in any one year may be exempt from such tax.

SECTION 9. Laws may be passed providing for excise and franchise taxes and for the imposition of taxes upon the production of coal, oil, gas and minerals.

SECTION 10. No bonded indebtedness of the state or any political subdivisions thereof, shall be incurred or renewed, unless in the legislation, under which such indebtedness is incurred or renewed, provision is made for the payment of not less than two per centum of the principal together with the annual interest on the same, each year, until such indebtedness is paid.

Strike out the title and insert:

"To submit an amendment to article XII by amending sections 1, 2 and 6 and by adding new sections Nos. 7, 8, 9 and 10.—Relative to taxation."

Mr. HARRIS, of Ashtabula: In section 2, the first line, should not that read "a uniform rule"?

The SECRETARY: It reads "a uniform rule".

Mr. HARRIS, of Ashtabula: You read it "the uniform rule".

Mr. EVANS: Would you have any objection to putting "uniform rules" instead of "a uniform rule"?

Mr. FACKLER: I think I would like to adhere to the language that I have. This is an effort made to arrive at a compromise. Sufficient votes have been taken in the Convention to clearly demonstrate that the sentiment of the Convention is against classification, and it seems is against leaving the matter open to the legislature. Frankly I would be in favor of leaving the whole taxation matter to the legislature, but the sentiment of the Convention is against that. On the other hand, an effort has been made to limit the tax rate in the constitution. I believe that such a limitation as a constitutional matter should not be enacted. There are so many good things in the proposal that for the purpose of getting some of the good features provided in it those in favor of limitation should waive that point, inasmuch as they now have the limitation by law more drastic than is proposed here, and it is extremely improbable that the legislature within anything like the near future, unless there should be some great public necessity, or some overwhelming public opinion in its favor, would vote for an increase in the tax rate to such a point as is provided in the amendment of the gentleman from Ashtabula [Mr. LAMPSON].

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This amendment takes out all limitation from the proposal as it now stands. It adds to the inheritance tax provision a section whereby the legislature can tax collateral inheritances at a higher and a different rate than it taxes direct inheritances. Certainly upon collateral inheritances the weight of the taxes would rest most easily, and it would be perfectly natural to allow a larger portion of the estate that goes to collateral heirs to be taken for public use than where it goes to direct descendants.

The next point changed is section 9, which provides for excise and franchise taxes and taxes upon the production of coal, oil, gas and minerals. Now there is no means under the present existing law whereby society can avail itself of the vast resources which have been placed here by Providence, presumably for the benefit of all, but which have been appropriated for the benefit of a few. It cannot be told where oil is, it cannot be taxed until it comes from the ground, and there could not be any fairer method of taxing than to tax it when it comes from the ground.

Section 10 provides that in contracting indebtedness arrangements shall be made to pay it. It provides that at least two per cent of the debt must be paid each year, which would liquidate it in fifty years, a much longer period of time than most of the bonds issued in the state of Ohio run. Certainly neither the state nor any of its subdivisions desires to go into debt without providing for liquidating the debt. Such a course would lead to disaster, and I provide that the debt should be paid gradually. Of course, the debt can be paid more rapidly than here provided, but let this limit be placed so that this Constitutional Convention can say to the different subdivisions, "You must pay on your debts as you contract them, and you must not pass the burden on to succeeding generations."

The income tax is provided for here. There is no fairer way of levying taxes than upon incomes. The man drawing a large income is deriving greater benefits from society than any other man, and upon his shoulders should be placed a very large part of the burden of carrying on the government. Gentlemen, I believe there are so many things of merit in this proposition, and so many things that are progressive and really demanded by the spirit of the times, that it will pay us to lay aside our differences on uniform taxation and classification, and to lay aside our difference on the bond proposition, and to adopt this, and I believe that if we adopt this it will be overwhelmingly ratified by the people at the polls.

Mr. ELSON: You exempt \$200 for each person. Does that mean there shall be \$2,000 exempted in a family of ten?

Mr. FACKLER: That is the provision of the present constitution. Usually the head of the household owns the property, and it would only exempt \$200 from the owner, and not for each person in his family.

Mr. ELSON: How would you in any possible way apply the uniform rule to taxing the products of the earth?

Mr. FACKLER: If the gentleman pleases, I am not making an argument in favor of or against the uniform rule or in favor of or against classification, but this Convention has voted in favor of the uniform rule on a number of roll calls, and it should be considered that that question is now a closed one, and the Convention should go ahead and make the most progressive taxation pro-

posal possible, assuming that the uniform rule is an accomplished fact.

Mr. HARTER, of Stark: I did intend to make a speech this afternoon, but I waive my privilege, because I am very thoroughly in favor of Mr. Fackler's proposal! I am so much impressed with this and the discussion we have had in this Convention, that I willingly waive my opportunity to speak. I am in favor of this sensible, practical compromise.

Mr. WATSON: I offer an amendment.

The amendment was read as follows:

Amend the amendment of Mr. Fackler as follows:

At the end of the amendment add the following:
"SEC. 11. Revenues for the payment of the expenses of the state may be provided by assessment upon the counties, but every such assessment shall be apportioned among all the counties ratably according to the aggregate amount expended during the preceding year in each county by the county and all political subdivisions thereof."

Mr. WATSON: Just a word. The committee as a whole agree to that proposal. It is in both reports, and I think it should go in.

Mr. DOTY: May I correct the member before he makes a speech? Substantially you are correct, but the two reports differ in the wording. The majority report and the minority report provide for the doing away of all state levies, but the minority report does it one way, and the majority report includes some other provision that Professor Knight asked to have incorporated. Do you not remember that?

Mr. WATSON: I thought the phraseology was the same.

Mr. WOODS: I am one of those in favor of the uniform rule, and also one of those who have been in favor of putting a debt limit and a maximum tax levy in the constitution. We have talked about this matter long enough, and I am satisfied that there are two sides to the maximum tax levy and debt-limit propositions. Our friends from the cities insist very strenuously against those limitations going into the constitution. Now I wish that those of us who are in favor of the uniform rule might have an opportunity to talk a little, and let me say right here, if this Fackler proposition is adopted we have gained a whole lot. I am one of those who has been raised to view the uniform rule as the only rule. It is right. It has been the law of this state for years, and the only trouble has been that our administrative part of the law has not been right. We have not had a tax system in Ohio until the last three years that was worth the paper it was written on. There was no head and no top and no bottom and no side. We passed a law providing for a tax commission about three years ago, and I helped draft that bill. I am proud of it to this day. That bill is based upon the fact that all taxes shall be levied under the uniform rule and all property shall be taxed at its true value in money. That is what the old constitution says, and I think the new constitution should say the same thing, because it is right.

Now if any of us expect to put a provision in here that will do exact justice in every case, we are expecting to do something that cannot be done. It is absolutely

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impossible, but here is the thing: After fighting for years and years we have a tax commission that is doing good work. Nobody can deny that. We provide in that tax commission law that they should commence with the big fellows, they should commence there first, and if they could not get the big fellows, we don't want the little ones. You all admit they got the big fellows—the railroads and the banks and the telephone companies—and all those public utilities are on the tax duplicate at near their true value in money. Before we had the law, railroads paid only about fifteen per cent of what they were worth, and other utilities were the same way. Banks were nearer their true value in money than any other business in the state of Ohio. I say to you that this tax commission has put the corporations of these big concerns on the tax duplicate at nearly their true worth. They have not got the intangible property yet. We gave them all they could be expected to accomplish in two years. I have talked with the tax commission and I know they want us to keep the uniform rule in the constitution. If it is not kept in the constitution, if you provide for classification or change this uniform rule, you will undermine the whole work of the tax commission. After the fight that has been made in this state for all these years, and after the recommendations that that commission has made, and after the good work that they have done, do we propose here, when most of us admit we do not know anything about taxes, do we propose to go under their work and tip the whole tax machinery over into the ditch? I do not think we should do it, and I do not think we can afford to do it. I am for the Fackler substitute and for stopping the talk about this matter. I say to you who are for the uniform rule that in the Fackler amendment you are getting it, and when you get it you are saving the tax commission law, and you are saving all the good work the tax commission has done.

Not only that, but you are putting bonds back on the duplicate, and they ought to be back on the duplicate. I was in the house when bonds were taken off the duplicate. My friend Doty and I remember the day, and I say to you, gentlemen, that one of the worst things that was ever done in the state of Ohio was the taking of those bonds off the tax duplicate. It was not a square deal with the people from start to finish. It was forced through this house—the roll call was held up in this house until they could send over to the Neil House to get members here to pass it. Am I right on that, Mr. Doty?

Mr. DOTY: Was the roll call ever held up so that the member from Medina [Mr. Woods] could vote?

Mr. WOODS: Yes, but not that day, and that proposition, after it got through the houses here, was submitted to the people through the action of a state convention, and people who were against it voted for it on election day without knowing they were doing it.

Mr. PECK: How did you find that out?

Mr. WOODS: The action of the people brought about in the legislature the repeal of the Longworth act, and it ought to have been repealed long before.

Mr. DOTY: Allowing that to be all so, and there is some modicum of truth in the statement, I would like to ask the gentleman if he does not think it is about time to put this whole question of whether the people really want classification or the uniform rule up to the people

on a fair, square basis, where there can be no hocus pocus about it—don't you think it is time to do that?

Mr. WOODS: No, sir.

Mr. DOTY: I thought you were in favor of the people ruling.

Mr. WOODS: I am in favor of the people ruling—

Mr. DOTY: Oh!

Mr. WOODS: —but I am not in favor of submitting forty propositions in the alternative.

Mr. DOTY: In other words, you are in favor of people ruling, but—?

Mr. WOODS: Yes; if you want to put it that way.

Mr. DOTY: Well, I want to say that you are not getting a limitation of the tax rate or the debt rate.

Mr. WOODS: Those propositions are the law of the state of Ohio, and if I could do it I would pick up that statute and put it in the constitution bodily, but I cannot do it, and if you stay here and argue this proposition much longer I am afraid you will lose all. We cannot afford to do it. The other side have come, and have offered to come, more than half way. Let us meet them. This is a debatable proposal. I don't think we are, but we may be, wrong, and we cannot expect to get all we want in this life. Now, let us end it. We are getting the uniform rule. We are getting the bonds back on the tax duplicate, and when we speak of that I want you to remember that the tax commission in their 1911 report, on pages 4 and 5, ask that this constitution be so amended that bonds might be placed back on the duplicate. Let us put them there. We cannot have the uniform rule and leave all the bonds off the duplicate. I think the uniform rule and putting these bonds back on the duplicate is a great victory for us, and let us end it now.

Mr. HARRIS, of Hamilton: You advocates of uniform rule are urging the friends of uniform rule to wipe out all limitation on indebtedness. In other words, you are willing to let the legislature double or treble the present limitation, notwithstanding they think that farms are taxed up to one hundred per cent?

Mr. WOODS: I am not willing to do it—I do not want to do it—but I am willing to give up some things in the fight.

Mr. NORRIS: Are you willing to give up the things you are fighting for?

Mr. WOODS: Not all of them.

Mr. NORRIS: The things you are fighting for?

Mr. WOODS: No, sir.

Mr. NORRIS: Well, you are trading them off for a mess of pottage.

Mr. WOODS: I am not trading them off for anything.

Mr. HALFHILL: Do you believe it is right to compromise on a principle that you are contesting for?

Mr. WOODS: Not always.

Mr. HALFHILL: Are you contesting for any principle on that side of the house?

Mr. WOODS: Yes, sir; the big principles that we are fighting for are the uniform rule and the taxation of bonds.

Mr. HALFHILL: That is in the constitution now.

Mr. WOODS: The taxation of bonds? No.

Mr. HALFHILL: Is the principle you are fighting for the uniform rule or the taxation of bonds?

Mr. WOODS: Those two.

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Mr. HALFHILL: Both of them?

Mr. WOODS: Yes.

Mr. HALFHILL: Then why are you not willing to submit the two propositions in the alternative?

Mr. WOODS: I do not think we should do that any more than we should do it on two-thirds of all the other matters that have come before us. We are here to settle some things ourselves.

Mr. HALFHILL: You think it would be wrong, inasmuch as we are disputing and cannot agree upon the two principles—you think it would be wrong to submit them so that the issue could be fairly tested by a vote of the people?

Mr. WOODS: I do not know that I would put it that strong, but I am not in favor of submitting classification to the people. Furthermore, I do not think any two of you can agree on any classification scheme.

Mr. HALFHILL: Do you not think the great question of taxation now before us is of as much importance as the license question under the police power, and did you not vote to submit an alternative proposition there?

Mr. WOODS: If I remember right, I don't think there is an alternative proposition there.

Mr. HALFHILL: Is it not submitted in the alternative, and is the form not in the alternative?

Mr. WOODS: The proposal for liquor license?

Mr. HALFHILL: Yes. Whether we shall proceed under certain police power.

Mr. WOODS: You vote for or against every proposal.

Mr. HALFHILL: Could not we now submit to the electors an alternative proposition providing for the uniform rule, and your theory of taxing bonds, and submitting also our view, which is the classification idea, and leave it to the legislature how property should be taxed provided our views are adopted and made part of the constitution?

Mr. WOODS: Do you mean, could it be done?

Mr. HALFHILL: Yes?

Mr. WOODS: It could be, but I am not in favor of doing it.

Mr. HALFHILL: Then I will ask you if it is not as important to do that as it was to settle what theory of police power you would exercise in the control of the liquor traffic.

Mr. WOODS: No, sir; I have not gone into any argument on classification. I am against it. I could give you a lot of reasons, but I do not care to take up the time of the Convention.

The PRESIDENT: The gentleman from Mahoning [Mr. ANDERSON].

Mr. DOTY: Will the gentleman from Mahoning [Mr. ANDERSON] yield?

Mr. ANDERSON: Yes, if I do not lose the floor.

Mr. DOTY: All right. There are two amendments pending, and I offer an amendment that does not take the place of any standing amendment —

Mr. WINN: I object, and I rise to a point of order. There are three amendments now pending.

Mr. DOTY: Will the secretary tell us how many there are?

The SECRETARY: Two.

Mr. WINN: Three.

Mr. DOTY: The secretary says two. The amend-

ment I desire to offer does not affect any of the pending amendments. It proposes to add this amendment that I offer to whatever may be in the Fackler amendment or the Anderson proposal, or any amendment thereto, and therefore I offer it at this time, and after it is read I will explain what it is.

Mr. WINN: I rise to a point of order. I make the point that after the member from Mahoning [Mr. ANDERSON] has been recognized he cannot yield the floor to somebody else to offer this amendment and then have the floor again.

The PRESIDENT: The point is not well taken.

Mr. WINN: The point certainly is well taken.

The amendment offered by the delegate from Cuyahoga [Mr. Dory] was read as follows:

At the end of the proposal add:

That, at the same time and upon the same ballot, which ballot shall be separate from all other ballots upon which amendments may be submitted, the following alternative proposed amendment be submitted to the electors of the state:

ARTICLE XII.

SECTION 1. The levying of taxes by the poll is grievous and oppressive; therefore no poll tax shall ever be levied in this state, nor service required therein, which may be commuted in money, or other thing of value.

SECTION 2. The general assembly shall have power to establish and maintain an equitable system for raising state and local revenue. It may classify the subjects of taxation so far as their differences justify the same in order to secure a just return from each. All taxes and other charges shall be imposed for public purposes only and shall be just to each subject. The power of taxation shall never be surrendered, suspended or contracted away. Bonds of the state of Ohio, bonds of any city, village, hamlet, county or township in this state and bonds issued in behalf of the public schools of Ohio and the means of instruction in connection therewith, burying grounds, public school houses, houses used exclusively for public worship, institutions for purely public charity, public property used exclusively for any public purpose, and personal property to an amount not exceeding in value two hundred dollars, for each individual, may, by general laws, be exempted from taxation; but all such laws shall be subject to alteration or repeal; and the value of all property, so exempted, shall, from time to time, be ascertained and published as may be directed by law.

SECTION 6. Except as otherwise provided in this constitution the state shall never contract any debt for purposes of internal improvement.

SECTION 7. Laws may be enacted providing for the taxation of the right to receive or succeed to estates, and such tax may be uniform or it may be so graduated as to tax at a higher rate the right to receive or to succeed to estates of larger value than to estates of smaller value. A portion of each estate not exceeding twenty thousand dollars in value may be exempted from such tax.

SECTION 8. Laws may be enacted providing for

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the taxation of incomes, which tax may be either uniform or graduated, and either general or confined to income derived from investments not directly taxed in this state, but a part of each income not exceeding three thousand dollars in any one year may be exempted from such tax.

Resolved, further, When these competing amendments to the constitution are submitted to the electors, the ballot shall be printed as follows:

	For uniform rule in taxation.
	For classification in taxation.
	Against both amendments.

so that each elector may express separately by making one crossmark (X) his preference for either of the two amendments or against both amendments. If the majority of votes are cast "Against both amendments" as compared with the total of those cast for either amendment, there shall be no amendment to the constitution; if not, the amendment which has the larger number of votes shall be adopted as the amendment to article XII, sections 1, 2 and 6 of the constitution.

Mr. ANDERSON: First I want to ask the gentleman from Cuyahoga [Mr. DOTY] if this amendment is the same as the Fackler substitute, except that this provides for classification and the Fackler amendment provides for uniform rule?

Mr. DOTY: Not quite. It is only because I had not seen the Fackler amendment at the time, however. It was meant to be the same. I meant to have section 2 as you have it in the Fackler amendment, providing for the amendment voted upon by the people six years ago.

Mr. ANDERSON: In other words, you want to give the people an opportunity of voting for the uniform rule or for classification?

Mr. DOTY: Or against both.

Mr. ANDERSON: All the other things being the same?

Mr. DOTY: Yes.

Mr. ANDERSON: It seems to me that we should start to voting to determine what we want. We have only a few more hours left in which to consider the other proposals upon the calendar, and there is a quite a number that are of relatively great importance. I notice that when men are speaking very little attention is paid to them. In other words, we are ready to vote. I don't think we shall receive any more light on this subject. Now I want to say a word in reference to bonds and the limit.

We all seem to be claiming that the taxpaying public of Ohio is a taxpaying public of rogues and scoundrels who are trying to escape that which they should morally and legally do, and yet you want to provide through the medium and channel of non-taxpaying bonds an opportunity, to the extent of tens of millions, to further disregard their obligations. A gentleman told me at recess

that a client of his had been notified by the bank that that bank could exchange \$70,000,000 or \$80,000,000 of bonds for money, and if he would put his money and securities in those they would be nontaxable, and after the assessor had gone around he could put the bonds back and take his money out. I would ask the men here, who would like to have a roll call, commencing with my name, because it comes first on the list, every man who has listed his watch for taxation to pull it out and hold it up. Then I would like to have an examination made at home to find out all about that.

MANY DELEGATES: Agreed.

Mr. ANDERSON: If this roll call could be had next week so that I could ride around to the different counties I would like the test to be made.

The subject before us is not a matter of constitutional enactment or organic law, unless we are satisfied that for years to come there will be no necessity for a change. In other words, we have no right to put a thing in the constitution which is definite and certain and will remain definite and certain as long as the constitution is in effect, where we know no more about it than we know about the tax rate and limit. Judge Winn put in one amendment, Mr. Lampson put in another, and then Mr. Winn another, and all were different in amount. That indicates that no one has any certainty as to what ought to be done. If that is evident it has no place in the constitution, because it is worthless and worse than worthless, because in what you do you offer a premium to the next legislature to repeal the one per cent Smith law. Put that limitation in the constitution, and you give the next legislature a good argument to do away with the present limitation and to say, "We will have the limitation that the Constitutional Convention fixed." You put it in bad shape. You really cannot calculate the harm you have done. Of course, if it is adjusted right, all right, but how can you determine that? What is the basis of figuring? I will guarantee if you take fifty men and let each one go at it separately, and figure the maximum amount that should be placed in the constitution, no two of them will agree exactly.

Mr. LAMPSON: Haven't we already limitations upon bonded indebtedness for municipalities in Ohio, and if the legislature does not proceed to go up to the full limit of bonded indebtedness, won't those limitations remain?

Mr. ANDERSON: That may be, but is that an argument against the legislature taking out the one per cent limit?

Mr. LAMPSON: I think the legislature knows that we are making a constitution for twenty or twenty-five years, and that the limitation in the constitution ought not to be held down to bare living necessities of the present time.

Mr. ANDERSON: Do you want to put a maximum limit in the constitution when you nor any other living man has any basis upon which to figure in determining that amount?

Mr. LAMPSON: Personally I am not anxious about it, but I don't think the argument is good that the legislature will proceed to go up to the limit fixed.

Mr. ANDERSON: Then your question is merely academic on your part.

Mr. LAMPSON: We have a limit of the bonded indebtedness now.

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Mr. ANDERSON: Yes; in a statute.
Mr. LAMPSON: And the municipalities and the various taxing districts do not proceed to go up to those limitations because they can do it, and neither will the legislature.

Mr. ANDERSON: The legislature will be influenced greatly by this to do away with the present one per cent law.

Mr. LAMPSON: We have had a limitation in the constitution about state bonds since 1851.

Mr. ANDERSON: How do you arrive at the maximum amount your amendment provides?

Mr. LAMPSON: It has been said that we have triple assessment even in Ohio, and I put the limitation so that we would not get much if any in the amount of taxes that would be raised above the amount obtained under the old tax rate by the next assessment. What I apprehend is this, that if there is no limitation it will not be five years until the tax rate is right up to where it was before the increase was put on, and then we shall be paying double taxes.

Mr. ANDERSON: Unless we put something in the constitution with reference to maximum rates, the legislature has full power to act?

Mr. LAMPSON: Yes.

Mr. ANDERSON: Should not anything that is to change in twenty years be a matter of legislative enactment and not be put in organic law?

Mr. LAMPSON: I think this whole question is a controversy between the taxpayers and the tax spenders, and unless we put some limitation in there the tax spenders are going up as high as they can.

Mr. ANDERSON: Do you know that in the large cities the tax spenders are the ones who are doing more for progress than anybody else, and do you know that in Youngstown we haven't enough money to conduct our schools?

Mr. LAMPSON: That is why I raised the limit.

Mr. ANDERSON: How do you know that will be sufficient after while? It is absolutely arbitrary, and you drew up a matter in half an hour to fix up something that is to stand for years and years to come.

Mr. LAMPSON: I drew up the limit after the one per cent limit had been laid on the table by a bare majority.

Mr. ANDERSON: And the reason you drafted this the way you did was simply because you wanted to get votes. I thought that was the way you arrived at that amendment.

Mr. PETTIT: If you are so anxious to vote, I wish you would give us a chance to vote.

Mr. ANDERSON: I move the previous question on the whole matter.

Mr. WINN: On that I demand the yeas and nays.

The yeas and nays were taken, and resulted—yeas 39, nays 61, as follows:

Those who voted in the affirmative are:

Anderson,	Fackler,	Kramer,
Baum,	Fess,	Lampson,
Beyer,	Fluke,	McClelland,
Cassidy,	Fox,	Miller, Crawford,
Colton,	Harris, Ashtabula,	Miller, Fairfield,
Crites,	Harter, Huron,	Peters,
Crosser,	Henderson,	Pettit,
Cunningham,	Holtz,	Pierce,
Earnhart,	Kilpatrick,	Rockel,

Roehm,	Stewart,	Ulmer,
Rorick,	Stokes,	Wagner,
Shaffer,	Tannehill,	Walker,
Solether,	Tetlow,	Woods.

Those who voted in the negative are:

Antrim,	Harris, Hamilton,	Mauck,
Beatty, Morrow,	Harter, Stark,	Moore,
Brattain,	Hoffman,	Norris,
Brown, Pike,	Hoskins,	Nye,
Cody,	Hursh,	Okey,
Collett,	Johnson, Madison,	Partington,
Cordes,	Johnson, Williams,	Peck,
Davio,	Keller,	Price,
Doty,	Kerr,	Read,
Dunlap,	King,	Redington,
Dunn,	Knight,	Riley,
Dwyer,	Kunkel,	Smith, Geauga,
Eby,	Lambert,	Stamm,
Elson,	Leete,	Stevens,
Evans,	Leslie,	Stilwell,
Farrell,	Longstreth,	Taggart,
FitzSimons,	Ludey,	Thomas,
Hahn,	Malin,	Watson,
Halenkamp,	Marriott,	Winn,
Halfhill,	Matthews,	Wise.
Harbarger,		

So the motion was not agreed to.

The president recognized the delegate from Defiance [Mr. WINN].

Mr. WINN: Gentlemen: I ask your attention as I have something to say respecting the amendment of the delegate from Cuyahoga [Mr. FACKLER].

On Thursday of last week we had two or three votes which reflected the sentiment of the Convention to some extent with respect to the clause limiting the rate of taxation. On that day the member from Franklin [Mr. KNIGHT] moved that the amendment offered by myself and the amendment offered by Mr. Fackler be laid on the table. The amendment offered by me, you will remember, was the one incorporating in the then pending amendment the one per cent limitation. That motion to table was defeated by a vote of 52 yeas to 57 nays. On the same day the amendment was offered by Mr. Lampson, the one now pending, to make the limitation twelve mills with some additional rate to be levied by a vote of the people. The question being, "Shall the amendment of Mr. Lampson be agreed to?" the yeas and nays were taken, and the result was yeas 48 and nays 36, so the amendment was agreed to. On that roll call the member from Medina [Mr. WOODS] voted aye. He was in favor of the limitation. On the roll call to lay the amendment on the table the member from Medina [Mr. WOODS] voted no. He was then in favor of the one per cent limitation.

Mr. WOODS: I am now.

Mr. WINN: He says he is still in favor of it, but now he has reached the conclusion that we have come to that point in our deliberations when it is necessary to compromise. He agrees with me that the limitation of one per cent is correct, but I do not agree with him that we have reached the time where it is not profitable to talk about it. I see no sense in yielding a principle that we have been contesting for, especially since a substantial majority of this Convention agree with me, and I am astonished that the member from Medina [Mr. WOODS], if he has been contesting for this principle in good faith, is now ready to desert the one per cent ship when there is no possibility of its sinking. I can see very

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easily how the member from Cuyahoga [Mr. FACKLER] may be influenced to hold out this compromise. The fact of it is he offers us absolutely nothing except what is already incorporated in the minority report or in some of the amendments, except the elimination of the limitation; and that is a thing for which I think we should stand, and most firmly. I can understand how the members from Cuyahoga and the members from most of the big cities will be opposed to any limit in the constitution. They are opposed to it because they are in touch with the politicians of their respective municipalities much more than they are in touch with those who pay the taxes. They are in touch with the politicians, and they hear one song from the time they go home until they come back. Every administration has the same song. It is to obtain as much money for the administration to distribute among the different departments of the municipality as possible, and they are always opposed to any limitation.

Mr. ULMER: I simply want to say to you that I live in a city, and I am not in touch with any politicians.

Mr. WINN: Well, I have not heard the member from Lucas [Mr. ULMER] standing on the floor opposing a limitation. It may be that he is not opposed to it. I do not mean to say that all persons who reside in municipalities are opposed to it, but I think this editorial which I hold in my hand, published in the Ohio State Journal last Thursday morning, which probably most of you read, reflects the sentiment of the average taxpayer in this city and other municipalities of the state. I read it so that it may go into the record:

In the one per cent tax law we have turned our faces toward honesty, retrenchment, revenue and economy, all of which are elements of the public welfare. It is a start in the right direction. It may be inconvenient at first. It may obstruct the extravagance of administrations. It may disappoint the schemers after jobs. It may take some money out of the pockets of selfishness. But the one per cent law is right; the principle upon which it is based is right. It is the promoter of honor and fair dealing. Any legislative or constitutional body that turns against that law turns against the people.

Put us back to the three per cent law and John Smith, with \$1000 worth of property, will pay \$30 tax, and James Jones, with the same amount of taxable property, will pay \$2.75. That is the way things have been going for years. Unfairness and dishonesty have run the machine. It has abused, oppressed and poisoned the citizenship. To go back to it is treason to justice and honor.

Now, gentlemen of the Convention, I repeat, I believe this editorial reflects the sentiment of the taxpayers who are not in touch with the politicians, and I can see how this editorial can come from a paper published in Franklin county, but it would not come from any published in Cleveland.

In discussing this great question I call attention to the very great amount of money income of the counties and the small amount returned for taxation. In Cuyahoga county, there is practically \$165,000,000 of money on deposit in banks with a little more than a million and a half returned for taxation. But in Franklin county there is a much larger proportion. In Franklin county

there is \$32,250,000 in banks with more than a million and a half returned for taxation. With less than one-fifth of the amount in Franklin that there is in Cuyahoga on deposit, Franklin has nearly as much returned as Cuyahoga.

Mr. FACKLER: Would not that be largely accounted for by the fact that Cleveland is a reserve city, and that many banks of the state carry their reserves in Cleveland, very much more so than in Columbus?

Mr. WINN: I would not think so proportionately, but you may be right. This evening I have ascertained the money on deposit in four of the large counties, Cuyahoga, Hamilton, Franklin and Montgomery. It would have pleased me to have extended this, but I did not have the time.

The amount on deposit in those four counties does not include the amount in building and loan associations, which we know is a great amount. In those four counties the total amount in the banks is \$323,500,000. The grand return for taxation is \$6,000,000. Now if you will pause just a moment and think of the very great amount of taxes that the big cities are escaping, you can see their interest in this matter.

Mr. ANDERSON: The theory of the one per cent limitation is that before the limitation can be a success, that which we have failed to do for fifty years must be done. That is, all property must come out, and if you fail in that, if there is still human nature enough to keep money away from the tax duplicate, the one per cent is wrong, and the poor people shall suffer by reason of it, and not the wealthy.

Mr. WINN: I do not know which one of your questions you want answered, but I will answer the whole of them if I can. I do not expect to change human nature. I expect as long as time lasts there will be men avoiding or seeking to avoid taxation. I mean seeking to avoid the return of their property for taxation, just as there are men committing offenses against the criminal law, but I am not in favor of repealing a single criminal law because there are men who violate them, and I am not in favor of exempting any man from taxation because he violates the law.

Now I want to answer what was said about the schools. We have no trouble up where I live in getting money to carry on the schools. It is a small county and a small municipality in which I live, but we had no trouble in increasing the amount of personal property from \$3,000,000 to \$7,000,000, and we shall have no trouble in increasing it from \$7,000,000 to \$10,000,000, and when we have it at \$10,000,000 the one per cent levy upon the property, real and personal, will make more money than we need or that can be legitimately expended.

The member from Mahoning [Mr. ANDERSON] says that they are not getting enough in Mahoning county to support their schools, but they are simply putting more in other funds, where there is more political profit than in the schools. If you will cut out the amount that is put in the other funds that is not needed for legitimate purposes, and put it in the school fund you will have all that is necessary. If that does not raise enough, come to the legislature with the same earnestness that you stand here today, and ask the legislature to strengthen the law and make it so powerful that it will be impossible for men to conceal their money, and you will have more money in Youngstown and everywhere else. That is all

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we need. Now shall we, the majority of the members of the Convention, who are in favor of this limitation compromise, as proposed by the Fackler amendment? My answer is No; I will not compromise when it is on principle, and I will only yield when I find it necessary to do so.

Mr. FACKLER: The adoption of the amendment I offer would still leave the law with reference to the tax limitation as it now is, and it would leave the legislature to do just as it can now. That law prevailed for sixty years and never until two years ago did we have a legislature that put a limit on the rate of taxation. Now we have set an example. We have the papers opposing it. They have been saying it is a crime, and they are all appealing to the next general assembly to repeal the Smith law and allow a greater rate of taxation.

Mr. PECK: Where did you see that?

Mr. FACKLER: I read it everywhere. There has been so much said of it in the Cincinnati papers that it could not have escaped your attention.

Mr. PECK: I don't know about it.

Mr. WINN: It is not wrong to write in the constitution a prohibition against anything. I submit that it is in keeping with the notion of things nowadays. While this debate was going on I took from my desk the constitution of Oklahoma, because that was one of the last ones that was adopted, to see what they were doing out there, and the first thing I turned to was the limitation in the rate of taxation. After providing for a state levy of not more than three and a half mills, it goes on:

County levy, not more than eight mills: Provided, That any county may levy not exceeding two mills additional for county high school and aid to the common schools of the county, not over one mill of which shall be for such high school, and the aid to said common schools shall be apportioned as provided by law; township levy, not more than five mills; city or town levy, not more than ten mills; school district levy, not more than five mills on the dollar for school district purposes, for support of common schools.

There is the provision in the constitution of a new state with comparatively a limited amount of property for taxation, and yet those men away out in Oklahoma, in writing the organic law for that state, reading in the history of the country the mistakes that have been made by the older states, wrote in their constitution a limitation on the amount of taxes that might be levied.

Mr. KNIGHT: Will the gentleman tell the aggregate limitation? As I figure it, it was two or three per cent.

Mr. WINN: I didn't figure it out. Let me see. I will read the provision:

SEC. 9. Except as herein otherwise provided, the total taxes, on an ad valorem basis, for all purposes, state, county, township, city, or town, and school district taxes, shall not exceed in any one year thirty-one and one-half mills on the dollar.

That is a little over three per cent. But think of that, away out in Oklahoma, with no such amount of property available for taxation as we have here, they saw fit to write in their constitution a limitation that all of their tax rates should never exceed thirty-one and one-half mills!

Mr. FACKLER: As preliminary to my question, you live in the town of Defiance?

Mr. WINN: Yes.

Mr. FACKLER: That town in 1890 had a population of 7,694, and in 1900, 7,579 and in 1910, 7,327, a decreasing population. Do you mean to say that the same conditions that prevail in that town can be applied to the city of Cleveland, which is growing every year three or four times as much as your whole population?

Mr. WINN: No, but what I am trying to say, and if I have not made it clear I will repeat it, is that if the taxpayers in Cuyahoga county will pay a rate of one per cent upon their taxable property, and if the taxing officers of Cuyahoga county will bring out and put upon the tax duplicate a reasonable portion of the money that was on deposit in 1911 in the banks of Cuyahoga county and in the building and loan associations of Cuyahoga county, they will have no trouble in raising the amount they want.

Mr. FACKLER: The gentleman will admit, will he not, that the amount of deposits in a reserve city like Cleveland is no criterion from which to judge a city like Defiance?

Mr. WINN: What about Hamilton county? Is that a reserve city?

Mr. FACKLER: It is.

Mr. HARRIS, of Hamilton: Of course.

Mr. WINN: All of these funds are reserve funds?

Mr. FACKLER: I don't know, nor does the gentleman from Defiance.

Mr. WINN: Do you think they are all reserve funds except a million and a half?

Mr. FACKLER: No; I do not. But I do not think that the city of Cleveland, if it had all the bank deposits on the tax duplicate that are properly taxable, could possibly get along with a one per cent levy.

Mr. WINN: They are getting along now, and what are they levying?

Mr. FACKLER: A rate of 1.38.

Mr. WINN: To take care of the outstanding indebtedness and the sinking fund?

Mr. FACKLER: Yes.

Mr. WINN: And you are getting along?

Mr. FACKLER: Yes.

Mr. WINN: Well, the amendment restores the bonds to taxation and limits the rate of taxation to one per cent, exclusive of the amount necessary to be paid on outstanding bonded indebtedness, and provides a sinking fund for the redemption of such bonds.

Mr. DOTY: Will the gentleman allow me to make a statement about "getting along"?

Mr. WINN: Yes.

Mr. DOTY: The board of education last Saturday called the attention of the people of the city of Cleveland to the fact that under the first year's operation of the Smith law they had to borrow \$65,000 just to pay the teachers' salaries. That is the way we are "getting along".

Mr. WINN: And that is the result of poor figuring. They knew how many teachers they had, and they knew the amount they had to have to pay them, and they should have cut off \$65,000 from some other sources and put it in the school fund. They would have had enough to pay the teachers without borrowing.

Mr. FACKLER: If they knew how many children

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they were going to have to educate they could have made the calculation.

Mr. WINN: They did know it approximately.

The PRESIDENT: The gentleman from Mahoning [Mr. ANDERSON] wants to ask a question.

Mr. WINN: They are getting so numerous that it is difficult to answer them, but I will try.

Mr. ANDERSON: Say that the city administration or the politicians in the city are to blame, ought the children of the poor people suffer? Remember that the children of the wealthy do not suffer, and ought the children of the poor go uneducated to follow out this whim of yours?

Mr. WINN: Oh, no. The children of the poor should not go without education simply to provide means for the politicians to have something to expend. I am not contending for any such thing. But the city of Youngstown knew long before they began to expend any of the amount expended in this school year exactly the amount that would be necessary, and if they put enough in the school funds to take care of the schools they would be able to take the same amount out. Each department fixes the amount necessary for its use, and they have a board that comes together and apportions it among the different departments.

Mr. HOSKINS: You mentioned a moment ago something about the amount of bank deposits. You said that to that must be added deposits in building and loan associations?

Mr. WINN: Yes.

Mr. HOSKINS: Is it not a fact that the deposits of the building and loan associations in the state are part of the deposits in the banks?

Mr. WINN: No, sir.

Mr. HOSKINS: Do you mean to say that the building and loan associations keep all their cash in their own vaults?

Mr. WINN: I am taking these amounts from a table that has been prepared —

Mr. HOSKINS: But do not the building and loan associations keep their deposits in banks?

Mr. WINN: It depends on the building and loan association. If it is carrying on a legitimate business it has very little money for deposit any place. As Mr. Stokes, of Montgomery, says, many times the building and loan associations are borrowers.

Mr. HARRIS, of Hamilton: Now, to your surprise, this question is to help you out, not embarrass you.

Mr. WINN: I thank you.

Mr. HARRIS, of Hamilton: I know you didn't expect it.

Mr. WINN: If you say so, I will thank you in advance.

Mr. HARRIS, of Hamilton: Going on the idea that when economic thieves fall out honest men get their dues, I am willing to help you uniform taxers out. I call your attention to this, which is very important from your view: The higher the tax levy the more Mr. Lampson's theory is carried out. The more you increase the limitation above ten mills the greater will be the incentive for personal property to go into hiding, and the more you will keep the levy down to one per cent, the greater will be the incentive to come out of hiding.

Mr. WINN: Certainly.

Mr. HARRIS, of Hamilton: I told you I would help you out.

Mr. WINN: Yes, and I thank you. The point I tried to make a while ago was that if the limitation of the so-called Smith law is correct, as it has been demonstrated by trial to be, for that reason I am opposed to leaving it out.

Mr. DWYER: I just want to say that in Montgomery county the common schools, as in Cleveland, are crowded, and yet if you will look into the matter you will find that Montgomery county has been contributing to the schools in Cleveland.

Mr. WINN: Montgomery county has been contributing to aid in support of the schools of Cuyahoga county! I am glad of it.

Mr. PECK: I want to make a statement to help you in this argument. Are you aware that under the one per cent tax law at the end of the fiscal year there will be for the first time in many years a large surplus in the treasury of Cincinnati, and do you know that there is not anybody there who is in favor of repealing the one per cent tax law?

Mr. WINN: I want to repeat that. Judge Peck says that at the close of this fiscal year, for the first time in many years, under the one per cent Smith law they will have an excess of money in the treasury of Cincinnati, and they will have money after having paid all necessary expenses, and he adds, and I will repeat it, because some of you probably could not hear the remark, that in Hamilton county there is no one in favor of repealing the Smith one per cent law. That is good news and I am glad to hear that. It may be when we get the latest from Cuyahoga county it will not be so bad as it seems now.

Mr. FACKLER: Has the city of Defiance any considerable number of residents whose children are underfed, and for whose proper feeding the municipality is making provision when they come to school in the morning?

Mr. WINN: No; I believe not.

Mr. FACKLER: Does Defiance make provision for the inspection and looking after the eyes and teeth of the children, to see that those who are unable to pay for those things are taken care of?

Mr. WINN: We are making considerable advancement along those lines.

Mr. FACKLER: Would you deny to the city of Cleveland the right to make that kind of advancement?

Mr. WINN: I think there are no children fed at public expense. We have free school books, and we provide clothing and shoes, and everything of that sort, and food at their homes during the severe winter days for a goodly number. We do whatever is necessary and we levy one per cent for general expenses, and four-tenths of one per cent to take care of outstanding indebtedness.

Mr. KILPATRICK: I understand you to say that you had a balance in the treasury under the one per cent tax law and you hadn't had it before for many years?

Mr. PECK: That was in Hamilton county.

Mr. KILPATRICK: Would it not be a good idea then to reduce the levy to one-half of one per cent and have twice as much then?

Mr. PECK: The reduction of the levy did not increase the amount of money paid into the treasury. That

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was increased because of increased valuation. The increased valuation more than offset the decrease in levy, and take it as a whole the amount of money raised by the one per cent is somewhat greater than the amount of money raised by the previous regular rate.

Mr. WINN: I think we all understand the situation. We understand what the member from Hamilton [Mr. PECK] attempts to make plain, which is that reducing the rate of taxation in Cincinnati brought out some hidden property.

Mr. PECK: The principal increase was on the assessments levied on the great corporations. The Pennsylvania Railroad Company and the Big Four were boosted considerably and that made a large part of the difference.

Mr. WINN: The proposition is this: Shall we go before the people—having written in our statutory law this limitation, and having tried it thus far—shall we go before the people with a constitution which says to future legislatures, "You shall not permit a levy beyond this rate," or shall we simply write the constitution without any limit in it, just as we have had since 1851, and then leave it to future general assemblies to levy one mill or two mills or three mills, according to the complexion of the general assembly?

Mr. OKEY: Do you not think that if the one per cent law as we have it now had not been left in the hands of the legislature that personal property would have come out more than it has? Do you not think that if we had the limitation in the constitution we would have that much more property brought out?

Mr. WINN: That is the way I view it.

Mr. OKEY: And if we make it a certainty we will have more?

Mr. WINN: When we have made it a certainty, so that it cannot be changed by the legislature, the hidden property will come out.

Mr. HALFHILL: Do you not think as a matter of good policy, if there is to be any limit in the constitution, it should not exceed the present one per cent?

Mr. WINN: I have said already that at the first opportunity afforded I shall offer an amendment to the proposal as printed last Thursday making the limitation of one per cent, with only enough additional to take care of the outstanding indebtedness now existing, and interest upon the same, which the supreme court says is part of the Smith law.

Mr. HALFHILL: Your idea is that to write beyond a one per cent limit into the constitution is an invitation to the legislature to repeal the Smith law?

Mr. WINN: I say a limitation of twelve mills is an invitation to the general assembly to raise it to twelve mills, and a passage of a proposal without any limitation at all is an equally strong invitation to the general assembly to raise it to any amount they see fit. Now we have reached the point where, in justice to the people of the state, we should put this in our constitution that there may be no juggling with it hereafter. Some member will say, "Why not leave it to the general assembly?" I will tell you why not? Because there are too many members of the general assembly who are ready to compromise for the same reason the member from Medina [Mr. Woods] is willing to compromise here. Standing for principle as he has stood for three or four days, after voting every opportunity he had for a limitation, and voting with a substantial majority on this floor, he now

stands here and says he is ready to compromise that principle and vote for the amendment offered by the member from Cuyahoga [Mr. FACKLER] which has no limitation at all in it. There may be men like him in the next general assembly, and if we have men in the general assembly who give up the battle so quickly, how easy it will be to pass a bill through both branches of the legislature wiping the Smith law from the statute book. I am in favor of writing this into the constitution that it may become a fixity.

Mr. KRAMER: I think we are about through discussing this question, just as we were through discussing the initiative and referendum long before we quit. I do not think we are getting a great deal of good, but I want to know, since I have the floor, just two things concerning this proposition for limitation. One is with reference to placing the limitation in the constitution. I am not a member from a city, or rather from any large city. I am from Mansfield, a city of about 25,000 population, but whether I am from the city of Mansfield or from the oldest township in the state of Ohio, I would be against placing any limitation in the constitution. It is not reasonable and it is not sensible.

Now another question. Let me ask you this: Suppose the democrats within the next generation will be successful in national politics as they were in 1892. We democrats will elect a president and bring upon our republican what our republican friends said we brought upon the country in 1892. Where would we be with a limitation in the constitution?

Mr. FACKLER: In the soup house.

Mr. KRAMER: You know in 1892 every last vestige of property was worth not one-third of what it is worth today. I remember taking butter to town when I got only six cents a pound for it, and had to take sugar in exchange. Now we get twenty-five cents a pound. I remember of taking eggs to market, and I was mighty glad to get six cents a dozen for them and now I find that we get twenty cents a dozen.

Mr. NORRIS: You are arguing against yourself on that.

Mr. KRAMER: Suppose we place the limitation at ten mills in our constitution at the valuation that our property has today, and suppose that ten mills limitation remains in the constitution for twenty years, and then suppose our real estate falls in value until it is not worth one-third of what it is now, and our personal property falls in value until it is not worth one-third of what it is now, what will the limitation of ten mills mean? It would be three mills on the valuation of property that we now have.

Mr. ELSON: Are you not aware that if property falls in value money always falls with it so that the proportion is the same?

Mr. KRAMER: Salaries of school teachers and officers in cities, counties and states and expenses don't fall in proportion. It takes just as much to run a government in hard times as it does in good times, and I hope we will not place that limitation in our constitution binding us for the next twenty years when we do not know what the conditions will be in twenty years. I do not like to have Mr. Doty putting up that alternative proposition to the people. If I had as much confidence in the people as some of you in this Convention I do not know that I would not be ready to put it up to the

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people, but just as I said when we were discussing the initiative and referendum, I have confidence in the people of the state of Ohio only to the extent of their ability, and I stand here to say if we, after discussing this proposition for three or four days, are not better able to place the stamp of approval on some proposition than the people of Ohio, who will not be able to gather together for one minute and discuss this great proposition, we ought to quit. We ought to select one proposition and put it up to the people, and ask whether they want to leave the old constitution as it is or put in this proposition, and we ought not bother with alternative propositions.

Mr. DOTY: If you believed in the ultimate wisdom of the people as thoroughly as the member from Guernsey [Mr. WATSON], for instance, do you not think you would be willing to vote for an alternative proposition to go before the people to allow them to decide it?

Mr. KRAMER: I rather think I would, but I do not think I have the confidence in the people that the member from Guernsey [Mr. WATSON] seems to have.

Mr. CORDES: According to the argument of the gentleman, I want to ask him what he expects in 1913 when the democrats go in?

Mr. KRAMER: I have not been considering that at all.

Mr. CORDES: Is it your idea to keep the road clear for a democratic administration?

Mr. KRAMER: I am a democrat or I wouldn't have given you that illustration. Now these are the reasons that influence me to oppose putting an alternative proposition. I am against the classification of property, and I am willing to put my stamp of approval on the uniform rule of taxing property and submit it to the people. I am thoroughly in sympathy with the uniform rule, and I am willing to go before the people and say I am in sympathy with the uniform rule, and not do as we did on the initiative and referendum, burden the thing with some things that the people are not willing to assume. I am willing to assume it. Now in the liquor question, that is a proposition of whether the people desire license or not. If they don't want license they will just vote it down.

Mr. DOTY: But that is in the alternative?

Mr. KRAMER: This will be alternative to that extent, if we submit to the people the proposition we have here, and if the people want to choose that they can choose it, and if they don't want to choose it they can leave the constitution just as it now is. That is all that the people of Ohio can intelligently decide.

Mr. DOTY: Do you think the people of Ohio really have wisdom enough to decide whether they are in favor of the uniform rule?

Mr. KRAMER: Yes.

Mr. DOTY: Then if they have wisdom enough to do that, having that wisdom, I want to submit to them a chance to vote for classification for fear they will make a mistake and vote for classification.

Mr. KRAMER: Two propositions put up in the alternative are always confusing.

Mr. DOTY: Would it confuse their wisdom?

Mr. KRAMER: I am not talking about confusing their wisdom. Remember this: When I talk about the wisdom of the people I am willing to admit that every man in the state of Ohio has the same intelligence that

I have, but I have talked to the people of Richland county about this proposition, and today nine-tenths of the people of Richland county know nothing about nine-tenths of the propositions we have already adopted. And I talked with the most sensible people we have, too.

Mr. DOTY: Then you are not afraid they have not intelligence and that they may adopt the uniform rule?

Mr. KRAMER: I am willing to leave it as it is.

Mr. DOTY: Do you not think in justice to them we should give them a shot at the two things?

Mr. KRAMER: If we cannot do any better.

Mr. DOTY: You have confidence in the people?

Mr. KRAMER: Don't go away and say I have no confidence in the people. I have always confidence in the people in proportion to their ability to understand.

Mr. DOTY: Then you have confidence, "but"—?

Mr. KRAMER: Yes.

Mr. DOTY: Did I understand you to say that the most sensible people we have were in Richland county?

Mr. KRAMER: I didn't, but I will agree to that. As a matter of fact, I said we had just as sensible.

Mr. DOTY: I could not harmonize the things, your saying that and then criticising.

Mr. KRAMER: I have talked to some of the strong advocates of the initiative and referendum. They were wonderfully strong for it, but now it is the question as to whether the people can handle the propositions that are put up to them. There is such a thing as buncombe, talking for effect, and all that sort of thing, political effect and a great many effects, when we talk about these propositions.

Mr. DOTY: Would you not call it the meanest kind of buncombe for a man to be tremendously in favor of the initiative and referendum because of his confidence in the people, and then be afraid to allow the people to decide the most important thing that we have, taxation?

Mr. KRAMER: The members see the point. I don't have to answer.

Mr. WATSON: Do you not also think it is buncombe for a man who has fought against the question of single tax now to unite with singletaxers on this question?

Mr. KRAMER: I don't know what you are talking about. Now I want to notice one or two of the main arguments. One was as to mortgages. The argument is that a man who buys property and owes a certain amount of money on the property ought to be exempt to the amount of the mortgage. That appeals to me. It is a hard proposition to get away from, but let me say this, that there is not so much to this argument after all. We have heard the members in favor of classification time after time talk about incidence of taxation. That theory works out excellently with mortgages. Let me give you an illustration. If I were to buy property in the city of Mansfield for \$2,500, and having \$1,000 to pay on it and giving a mortgage for \$1,500 on the property, do you know how I would figure that? I would sit down and figure out what the taxes are upon that property every year and how much interest I had to pay every year on the \$1,500, and after I had done some figuring I would go to the man who owned the property and say, "Mr. Jones, I can afford to give you just so much for this property because I will have to pay so much interest on the money I have to borrow and so much taxes every year on the property." So, after all, take the strongest argument they have to advance, and there is not so much

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in it, because it would work out with the incidence that go along with taxation. Every man who buys property makes his calculation with reference to the amount of interest he has to pay on the money he borrows, upon the income he may get from the property, and upon the taxes he has to pay out on that property, so that I simply offer that as a reason why I am in favor of stamping my approval, at least as one member of this Convention, upon the uniform taxation rule, and put that up to the people against what they now have with the amendment allowing them to choose between that and what we already have.

Mr. FLUKE: This taxation question reminds me very much of the woman who started to make the pair of breeches for her boy, and she took so long about it that he had outgrown them. I have had this speech of mine written for two or three days, and I find that the tax question has outgrown my speech, so that my remarks will not be exactly apropos on this particular amendment.

I think we will all agree that civilization brings certain advantages to the human race, and, generally speaking, the higher the degree of civilization the greater are the advantages. Protection of life and security of property are two of the things that result from civilization and they are secured through government. These advantages are worth something and it very naturally follows that we must pay for them. There can be no controversy over the facts enumerated so far, but when we attempt to apportion the cost of government among those governed our opinions begin to diverge. It may be true that all individuals are not benefited, and it certainly is true that all are not equally able to pay, and it naturally follows that in our effort to equitably apportion the cost of government we encounter some difficulties. These difficulties are increased by the fact that some individuals have a disposition and are in a position to evade a portion or all of their obligations to the government. The greater the number of such ingrates, the greater is the injustice to those who make a full return of their property, who, for this reason, are compelled to pay taxes out of proportion to the benefits they enjoy.

It is well to remember that the tax proposition we have under discussion applies to the state and its subdivisions, and whatever form we adopt, the revenue derived therefrom is to be expended for the benefit of the people of the state of Ohio. While we are remembering this we must not forget that the people of Ohio are paying taxes for the support of the general government, because this fact must be taken into consideration if we expect to arrive at any equitable solution of the local tax problem. There are inequalities and injustices in the taxes raised by the general government, and the plan we adopt locally should take these inequalities into account in order that justice may be done to all. The expenses of the general government are raised by an indirect tax that takes but little account of the wealth of the individual. It is a system that gets you on what you must have instead of what you have; a tax on the necessity of the individual rather than on his ability to pay. Under this system the poor man and his family pay as much to the support of the general government as does the millionaire and his family, and neither can dodge this form of taxes. No one will have the hardihood to say that this is just. True, both are under obligations to government for protection of life and for liberty, and if that were all there was to

it, it would not be so unjust, for both ought to pay for whatever measure of protection government affords. But the millionaire owes something to government because of the security it affords him for his wealth, for which he pays nothing to the general government.

To attempt to correct this injustice is probably the reason for the several states levying a tax on wealth to produce revenue for local needs.

This Convention owes it to the people of the state to determine what is, in its judgment, the best system of taxation for the state of Ohio as a whole. It doesn't matter what the name of the system is, just so it works right. If the single tax is a good thing for Cuyahoga county we want it in Ashland county. If classification is an equitable and just way of raising revenues for state and local purposes, every county in the state ought to have classification. If a rate of one per cent on my real estate and a rate of one-half of one per cent on my neighbor's notes and mortgages is just and equitable, then the same thing is true in every other county in the state. If classification is right, it follows that the single tax and the uniform rule are wrong, and if they are wrong and unjust, this Convention deserves the contempt of those who sent us here: if we recommend their adoption.

I contend that classification in itself is unfair, unjust and unbusinesslike. A number of able gentlemen came before the committee on Taxation and argued in favor of classification of property for taxation purposes. It is a significant fact that none of them claimed that this method was morally right or just, and the best they could do was to justify it on the score of expediency. I submit to you, gentlemen, that this argument of expediency is not on a very high plane. If the state of Ohio is to go into the business of compromising with the men who perjure themselves when the assessor calls on them, it ought to give me the right to settle with the chicken thief I catch in my hen house. The state proposes to justify and dignify the taxdodger for a small consideration. If he owes the state \$10 let him off with \$2, and mark him up A1 for honesty. On the other hand if I catch some ambitious financier with ten of my plymouth rocks in his possession I don't compromise with him on the basis of a couple of hens returned. No; not on your life! I don't propose to let the state get me for compounding a felony.

We hear the contention frequently that the tax rate is confiscatory on notes, mortgages and other interest-bearing obligations, in that it consumes such a large portion of the income from those obligations. There was a time when this contention had some foundation in fact, but it is no longer the case. When real estate and tangible personal property were on the duplicate at about fifty per cent of their value and notes at their full value, a grave injustice was done this form of property. With real estate on the tax list at its full value and the rate more than cut in two, this form of property has no cause for complaint. A one per cent rate on a note bearing five per cent interest is no more burdensome than the same rate on the property of the average farmer as such property is now valued. The net income of the farmer is much less than the average city man imagines it is, and my observation leads me to the conclusion that the great majority of farmers are realizing less than five per cent on the capital invested. I want to remark in

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passing that if the farms of the state of Ohio were financed and managed as some railroads and other corporations are, ninety-five per cent of them would be in the hands of a receiver inside of a year. Water the farmer's capital stock from one to three hundred per cent; let him vote himself a salary of \$1,500 as president and general manager; his wife \$500 as secretary and treasurer—and please don't forget that the average farmer's wife earns that much—make two or three of the boys division superintendents at about \$500 apiece; allow for interest on capitalization, depreciation and necessary running expenses, and if you can find a farmer who is making five per cent net, I wish you would let me know. I want to get acquainted with the fellow who is doing that well, and when I find him I will stay with him long enough to learn some of his methods. No, the one per cent rate is not confiscatory and the adoption of the minority report insures you against a confiscatory rate because it compels economy of administration.

We have heard a great deal this winter about double taxation. Everybody is agreed that double taxation is a bad thing and that it ought to be remedied. When we come to consider the remedy we find a wide diversity of opinion as to what the remedy should be. Pardon me for repeating that familiar illustration of the \$10,000 farm. A man buys it, paying \$5,000 down and giving a mortgage for \$5,000. Under present laws the man who has the deed pays tax on the \$10,000, on \$5,000 more than he is worth. The man who holds the mortgage pays taxes on \$5,000, so that taxes are being paid on \$15,000 where only \$10,000 worth of property exists. Who is it in this instance that pays taxes unjustly? Truth and candor compel all of us to say that it is the man who purchases the farm and who holds the deed. Now listen to the remedy most frequently mentioned in the committee room, and which the majority report (you see this is outgrown) makes possible—let the man who holds the mortgage go tax free, except for a small filing fee! The man who lifted himself over the stile by his own boot straps was a chucklehead compared to the genius who evolved this idea. If you follow the same line of reasoning you will have to give Jake the castor oil when Joe gets sick, and then give Joe a lozenge to get the taste out of Jake's mouth.

Gentlemen, the man who invests his money in a mortgage does so because he prefers that form of investment. His money is working for him there and if the returns were not satisfactory he would have invested in something else. A first mortgage on real estate is gilt-edged security and the laws make special provisions for the protection of this kind of property. The man who holds that mortgage owes something to the state for the security and protection afforded him, and he ought to pay what he owes. But there are some who object to this and who claim that if the man who holds the mortgage is taxed that this tax will be paid by the man who gave the mortgage in the shape of additional interest. To this I reply that there is no fixed relation between tax rates and interest rates. Tax rates may go up or down and interest rates may go up or down, but the fluctuation of either has no effect on the other. Interest rates vary in different localities, depending on the law of supply and demand. There are places in the state where you can borrow on first mortgage security at five per cent; other places where the minimum rate is seven

per cent, notwithstanding the fact that the tax rate is approximately one per cent over the entire state.

If there were anything in the argument that lower tax rates mean lower interest rates now is a splendid time to demonstrate it. Within a year the tax rate has been cut in two—a shrinkage in the rate on the average for the state of more than one per cent. If the argument of the gentlemen on the other side is sound, interest rates should be less by one per cent than they were one year ago. As a matter of fact there has been no shrinking in interest rates, but on the contrary there has been a slight advance in some localities.

I am in favor of the Fackler amendment because it makes provision for stopping the present reckless and profligate program of issuing nontaxable bonds. Every time a community sells a tax-free security it adds something to the power of special privilege and places an additional burden on the taxable property of the state.

In conclusion I move to lay the Doty amendment on the table, and on that I demand the yeas and nays.

The yeas and nays were taken, and resulted—yeas 60, nays 43, as follows:

Those who voted in the affirmative are:

Anderson,	Holtz,	Partington,
Baum,	Hursh,	Peters,
Beatty, Morrow,	Johnson, Madison,	Pettit,
Beyer,	Jones,	Pierce,
Brattain,	Keller,	Riley,
Brown, Pike,	Kramer,	Rockel,
Cody,	Kunkel,	Shaffer,
Collett,	Lambert,	Solether,
Colton,	Lampson,	Stevens,
Crites,	Longstreth,	Stewart,
Cunningham,	Ludey,	Stokes,
Dunn,	Mauck,	Tannehill,
Dwyer,	McClelland,	Tetlow,
Earnhart,	Miller, Crawford,	Thomas,
Eby,	Miller, Fairfield,	Wagner,
Fluke,	Miller, Ottawa,	Walker,
Fox,	Moore,	Watson,
Harbarger,	Norris,	Winn,
Harris, Ashtabula,	Nye,	Wise,
Harter, Huron,	Okey,	Woods,

Those who voted in the negative are:

Antrim,	Halfhill,	Marriott,
Cassidy,	Harris, Hamilton,	Matthews,
Cordes,	Harter, Stark,	Peck,
Crosser,	Henderson,	Price,
Davio,	Hoffman,	Read,
Doty,	Hoskins,	Redington,
Dunlap,	Johnson, Williams,	Roehm,
Elson,	Kerr,	Rorick,
Evans,	Kilpatrick,	Smith, Geauga,
Fackler,	King,	Stamm,
Farrell,	Knight,	Stilwell,
Fess,	Leete,	Taggart,
FitzSimons,	Leslie,	Ulmer,
Hahn,	Malin,	Mr. President.
Halenkamp,		

So the motion was carried.

Mr. KNIGHT: I had not intended to speak at all on this subject. I shall speak only briefly to one point. So far all that I have contributed to this discussion is to ask one or two questions and introduce an amendment which was promptly tabled. I intend to speak four or five minutes on one point simply, and that is the matter of the limitation in the constitution of the tax rate. I want to call attention to the fact that as yet in the state of Ohio it is purely an experiment, this one per cent tax rate. We haven't yet paid the second half-year taxes

Taxation.

on the first levy under the one per cent law, and if any thing could be more of an experiment than that I would like to know what it is. There is absolutely no evidence that is conclusive that that rate will bring out what it is expected to bring out, although I hope it may. To put into the organic law a provision for a maximum levy when we know that the whole thing is experimental, seems to me the height of folly. The effect it will have upon the city in which we are gathered and which is part of Franklin county, which I have the honor in part to represent, may be illustrated by a statement made public since last Thursday and which I have verified by personal inquiry at the city hall today and may I say at this point that I am a republican, of what sort it does not make any difference, because we are all going to be together very shortly, and that the administration of the city of Columbus at the present time is not republican, and so far as I am informed it is a hearty supporter of the present state administration. Therefore the facts I shall state are not warped by any political consideration. The statement is published in last Friday's paper that, effective Saturday night—

Enough city employes will be laid off in the various public service departments to make a saving of \$25,000 in the next two months. This was the statement of Service Director Kinnear Saturday:

"We are short of \$25,000 of enough funds to carry the service departments through the first six months of the year on the present basis, and this amount has to be made up in some way.

"All street work except North High street, which is under contract and actually in process, will be stopped. In the engineers' department, all work on plans for future construction or street work, and the men on this work, will be dropped.

"The work of the refuse collection will be confined to the wagons actually owned by the city and the drivers of all hired wagons will be let go. There will also be a cut in the waterworks department, where considerable work will be stopped. In fact, we will just exist until July 1, doing only what is imperative to be done."

To accomplish this saving, it is estimated that it will be necessary to lay off not less than two hundred employes.

This curtailment is in fact more far-reaching than two hundred directly affected. These men have been employed in preparing and designing public work that would require the employment of more than one thousand laborers and others to carry out. It is therefore estimated that from twelve hundred to fifteen hundred men are affected by the retrenchment policy.

Now, I submit that upon this basis of a law the first year of which puts the third city in the state in that situation, where we are short in the aggregate approximately \$300,000 of what is necessary to defray the city's expenses, it is not a wise proposition nor the kind of proposition to be put in the new constitution that there shall be a limit fixed, as at present, when the experiment shows it does not enable us to meet the expenses of the city government. It seems to me that to tie up in our constitution the tax levy upon the basis of six months' experi-

ment is unwise. Had it been in existence for five or ten years, and if we knew that it had worked and would work well, the proposition would be different, but I can not think at present that it commends itself to us as a wise proposition to be placed in the constitution.

Mr. ANDERSON: What is your tax rate?

Mr. KNIGHT: Varying from two ninety to three twenty-two.

Mr. ANDERSON: And your population?

Mr. KNIGHT: One hundred eighty-one thousand in 1910, one hundred twenty-five thousand in 1900. There was an increase of fifty-six thousand.

Mr. ANDERSON: Now in Youngstown, although we have only eighty thousand now, our increase was forty-five thousand and our tax rate was 4.10 before the Smith law; Youngstown had more than doubled in population, so Youngstown would be in worse shape than Columbus. And is not this true, that in case there is not enough to properly provide it is the poorer people who suffer first under those conditions?

Mr. KNIGHT: It seems so to me.

Mr. HARRIS, of Hamilton: I move to recess until 9:30 in the morning.

Mr. FESS: I move that further consideration of the pending matter be deferred until tomorrow and that it be placed at the head of the calendar.

The motion was carried.

Mr. FESS: Now I ask unanimous consent to have the report of a committee come in.

Consent was given and Mr. Stewart submitted the following report:

The standing committee on Education, to which was referred Proposal No. 96—Mr. Fess, having had the same under consideration, reports it back with the following amendment, and recommends its passage when so amended:

Strike out everything after the word "Proposal" and insert the following:

To submit an amendment by adding section 4 to article VI, of the constitution.—Relative to the office of superintendent of public instruction.

Resolved, by the Constitutional Convention of the state of Ohio, That a proposal to amend the constitution shall be submitted to the electors to read as follows:

ARTICLE VI.

SEC. 4. A superintendent of public instruction shall be included as one of the officers of the executive departments to be appointed by the governor, for the term of four years, with such powers as may be prescribed by law.

The report was agreed to. The proposal was ordered to be engrossed and read the second time in its regular order.

On motion of Mr. Fess the proposal as amended was ordered printed.

Indefinite leave of absence was granted to Mr. Smith, of Hamilton.

On motion of Mr. Harris, of Ashtabula, the Convention adjourned until 9:30 o'clock a. m. tomorrow.