niless. Mercantile establishments that had flourished for forty and fifty years were bankrupt by the dozen. The business of the entire nation felt the effect of this one little insect, as it first spread across Texas, Louisiana and Mississippi, and finally throughout the cotton belt. What happened then? Scientists and cotton growers with good sound horse sense cooperated in an attempt to solve this problem and they succeeded; and only a few years ago the cotton growers of the South erected a monument to this boll weevil because it had revolutionized the cotton-growing industry and made it better and more profitable than they had ever dreamed it could be, by the employment of crop rotations, sanitation and cultural practices.

While the number of problems confronting the cranberry grower are increasing each year, as they are in every other industry, we believe that the growers are making as good progress as any other branch of horticulture in getting their problems under control. We believe that the problems of insect and disease control are likewise being solved about as rapidly as can be expected with the funds available for this type of work and that eventually cultural practices, chemical treatment and the planting of resistant varieties will make it possible to guard against heavy losses from these sources, and to this end too much emphasis can not be placed on the importance of planting vines as free from these various pests as possible.

TAXATION

By Dr. B. H. Hibbard, *Agricultural Economics Department*

I have been asked to talk to you on the subject of taxation. No doubt you are all aware of the fact that we are carrying out a certain scheme, plan or system of taxation which reaches substantially all of the business people and farmers of the state. At least, I have found no place where they are free from it or free from its difficulties.

There is no other class so heavily and severely burdened by taxation as the farmer, and the fact can be explained. It may be, of course, that individuals are taxed too heavily, and it may be that certain industries are taxed too heavily, but probably no other one so heavily as the farmers.

The reason is an historical one. It comes out of the distant past, centuries back, as a matter of fact. No one knows when we adopted our general property tax. It was brought over to this country—hardly more than the first nucleus of it—with the first settlers. They didn't tax anybody to speak of. In some of our colonies there was no system of taxation worthy of the name. They were still living in the stages when other words were used which preceded the word "taxes"—aids, gifts, contributions, help—and a long column of similar words. Taxation means contributions demanded and apportioned on some basis agreed upon. This is very different from aids, helps, gifts and the like. In the colony of Maryland, before the Revolution, they had no system of taxation, but they needed money to run the local govern-

ment. They had committees which got together and made estimates of what different members of the community ought to pay. The method of collecting dues from church members is very similar. They estimate what Mr. A, B and C should pay, and they usually pay it. They pay it out of pride, if nothing else. They are glad to be estimated in Class One, even though not able to make the contribution. In these Maryland communities they estimated the amount different members should contribute to the support of the local government, and let them know what the estimate was. The money wasn't all forthcoming, and it was voluntary. If it wasn't paid by a certain day of the year, they made out a list of those who hadn't paid and nailed it to the church door, printed in large letters: "These people have not yet paid their contribution". It was entirely voluntary on their part—depending upon how you interpret the word. After the Revolutionary War, we clamped the general property tax down—gently at first, and more severely later on—on virtually everybody. We weren't using it much during the war, although we knew what it was, and had used it in certain places. It is as simple as A, B, C, and was believed in by a great majority of the American people. It is believed in yet. We have as much faith in it as in the good old rules and regulations and wise sayings taken from scripture. It is an archaic, outrageous system of raising money. One hundred fifty years ago, it was a moderately good system, because things were different then than now. Property was widely and rather evenly distributed. When people made money, they would invest it in property, and their ability to pay was no doubt moderately well measured by the property owned.

Things ran along with no difficulty and not very much complaint, although you can find complaints going back to the Revolution, and even before. You might be interested in a few criticisms. One was from an assessor who said, "We are unable to estimate the value of certain stocks of goods." You pick out an assessor from a town which comprises a little village as well. If your assessor is a farmer, he has no trouble in estimating the value of farm land and animals. He knows farm property. But when he comes to the little hamlet, here is a stock of goods he is not very familiar with. He asks the keeper of the store what his goods are worth, and the storekeeper says $2,000. The assessor imagines it is worth $4,000, but he doesn't know. If he asks any questions, the proprietor will no doubt produce an inventory sheet and say, "This is the way we set it down". It doesn't mean much to the assessor. The law says he shall view the property and estimate the value of it. Next consider a drug store, where you will see all sorts of substances with all manner of colors. There is probably no one in the room who can accurately judge what a stock of drugs is worth. The assessor asks a farmer what his farm is worth. He says he doesn't know, or that it was assessed last year at so much. The usual procedure is to copy the books of the previous assessor.

Assessment has become complex. Would you be surprised to know that the value of personal property—that means stocks, bonds, mortgages and notes, and bank accounts—in many a small city is worth

more than all the property you can see? We do not assess the intangibles in this state. We do not make people perjure themselves in giving us the amounts. There is a persistent belief that mortgages should be assessed. Kansas made the most desperate attempt of any state to collect taxes on mortgages. They provided that anyone who failed to disclose to the assessor the amount of the mortgages he held on other people's property should forfeit the interest for the year. Then, if he failed to report for a second or third year, the whole mortgage became void and not collectible. What do you suppose any of your friends, who hold mortgages, would do if they passed a law of that kind in Wisconsin. What they did in Kansas was to move to Kansas City, Missouri, and establish an office there, or assign the mortgage to a friend. Can an assessor go out of the state? While it may be legal, it isn't followed up. The personal property goes with the residence of the owner, so in the case cited the mortgages became Missouri property, and Kansas could not tax them. Kansas gave up the practice. We have in all states failed pitifully in collecting taxes on the intangibles. It should not be said that it cannot be done; rather, it never has been done.

There is another phase which I mentioned with respect to the store goods. Would you be surprised to know that in every large city, from Milwaukee down, personal property is worth more than the real estate? There is more personal property than real estate in Chicago. There is more by far in New York City than the equivalent of all of the real estate of the city. The personal property of those different places pays from twenty per cent down to three per cent of the taxes. They simply do not collect the tax from the personal property. They cannot find it. So the property tax becomes substantially nothing more or less than a tax on real estate. Our general property tax is a real estate tax.

Do you begin to see why, in the matter of tax payments, the farmers are in hard lines? Other people do not pay on the basis of what they own to any such extent. The farmer's property is visible, and while we do not tax personal property to anything like its full amount, we do assess fully the personal property of the farmer. It is assessed by one of his neighbors. He pays on the personal property, and pays to the last farthing on his real estate; he is assessed the full amount of what he has, whereas the city man is not. In other words, the property tax becomes a real estate tax, and we raise in different states sixty-five, seventy-five and ninety-seven per cent of all taxes in many taxing districts on the real estate. Personal property is very largely exempt. We do not dare exempt it formally and finally; we get, in spite of its weakness, $18,000,000 from it, and don't know how to raise an equivalent additional sum from a different source, so we keep it on the list.

Taxes Should be Raised From A Broader Base

Long ago in New England we developed a regular system of settlement. They didn't let people go out at will and settle in the wilderness, because there were too many dangers. They might be scalped by the Indians. Massachusetts provided that no settler should go back into the wilderness beyond a certain line without permission from the general court. This permission prescribed that before they made a new settlement there should be sixty families in the settlement; they should pick out a site and tell where they were going to settle; and they were to take with them a minister of the gospel and a school teacher. They were obliged to establish, when they arrived, a church and a school. Very little was said about roads. While they had settled upon them by public authority the absolute necessity of establishing churches and schools, roads were taken for granted. If they wanted them, they had to build them. There was no state government of any size to help them. They had no state aid in building roads, no state treasury, and no state aid to schools. We are hardly away from the doctrine yet which requires that every community shall educate its own children and build its own roads. In prairie communities, usually four square miles constitute a school district, and for the last hundred years the people in that four square miles have paid almost the whole of the educational bill for their children until they were through the eighth grade. Many still believe that people should educate their own children. That is what they did very literally in England and in this country until after the Revolutionary War. In some parts of the country they hired a governess in each family, or the mother did the teaching, if she could. They literally educated their own children, and the education was usually poor enough. The idea that we should take care of ourselves is honorable as far as a historical setting goes, but it doesn't appear logical.

Should every community provide itself with schools, insane asylums, etc.? When these settlements moved back from the Atlantic coast line in 1840 and 1860, they were self-supporting. They made their own clothing, shoes, horseshoes and horseshoe nails; they had their own doctors and surgeons, so far as they had any. They had no one to appeal to, and families and communities were mainly self-sufficing. Their living was made within narrow limits. We were told that the cranberries they are eating in Madison were grown in Cape Cod. They are getting some of our money. Mr. Nash, who manufactures his cars at Kenosha, says that only three per cent of the Nash cars are being sold in Wisconsin, which shows that we like them just as well as do the people of any other state, and no better. We look at the Nash, Ford, Studebaker and other makes, and take our choice. We often hear it said, "We make our money in this city, and this is where it should stay." How about Mr. Nash? Does he make his money in Kenosha? Mr. Nash makes his money mostly in the United States,

not especially in Kenosha or Wisconsin, and if the government takes a little tax out of it, it is perfectly logical. A proposal was made in the legislature last winter to take away from the local units a large part of the income tax collected by the state and paid back to those units. The representative from Shorewood appeared before the committee at Madison and said, "We do not propose to let go of all the money made in Shorewood". I have driven up and down the streets of Shorewood, and it never occurred to me that any money was made in that village. Some real estate man, no doubt, makes a living there. Shorewood is where the people from the smoky part of the city come to live and spend their money. They say, "Let the money be spent where it is made". It was certainly not made in Shorewood. They merely report their incomes from Shorewood. We should, however, not hit them too hard at one time; just deal with them gradually, and bring about better conditions as best we can.

It should be made clear that we have outgrown these small town units, and the economic world is no longer cut into districts of four square sections, each one an independent school district. A state is not even too large a unit for the payment of many bills, and probably the whole state of Wisconsin should be responsible for the children of Wisconsin pretty much as a unit. Years ago we had no way of traveling except on foot, on horseback or by team. The reason we had school districts every four square miles is because the short legs of a six-year-old child cannot measure off a longer distance, so he must have a school house within about two miles. We had to have a township six miles square so that everyone could go to the town meeting. Do you know how big a county is? It is just big enough so a man with a fairly good pair of horses can leave home early in the morning, go to the court house to pay his taxes or serve on the jury, and get back at night. Where the roads were better, the counties were bigger. If we were planning counties at the present time, how big would we make them? At least much larger. They are little political units made to fit pioneer days.

Many are trying to tell us the tax system is sacred, and we mustn't put our hands on it. Local people should pay local expenses. In our sparsely settled state are many good roads. They aren't all covered with gravel yet. Who do you suppose is paying for those roads? The federal government is paying a higher portion there than in most cases, and they are concentrating federal expenditures on a few lines rather than spreading it over many. There is many a locality which cannot stand the local burden of a good road. We must put extra money into it. We have outgrown the littleness of years ago, but have left the taxes largely where they first rested, and we think there is something magical and wonderful about this old system, and admire it so much that we do not want to change it.

General Property Tax At Fault

Let us notice three instances of the imperfect working of the general property tax. If we have a farm worth $10,000 and put on a two mill tax, we make the man pay $200, but his income, as you know, is very low. Now we come to a store in town with a stock of goods which, ignoring the difficulty of assessment, we will say is worth $10,000. We charge him more because he is in town, and he pays $400. We will say this man in the store is making the modest returns of $4,000 a year. The farmer is making perhaps $400. We charge the storekeeper, who makes ten or twenty times as much, only twice as much in the way of taxes. Then we go to a meat market. It is reasonable to assume the man in the meat market makes as much as the man in the small general store. What do we find his stock of goods worth? Instead of $10,000, it may be worth $1,000. Then we will charge him one-tenth as much as the general storekeeper. He makes $4,000, but instead of $400, he pays $50 or $65, or some similar figure. Next we come to a lawyer's office. We ask the lawyer what he has. He says, "You can see what I have. I have a library worth $300, but the books are old". So we tax him $7.50. The lawyer has a home. The storekeeper has a home. The lawyer has an income of $4,000. Tax commission people will give you thousands of instances where storekeepers pay $400, meat market owners $65.00, and lawyers $10 to $30 on property pertaining to the business. In this state the income tax helps a bit to balance the matter. These people may invest their money in non-taxable securities, or where they please, or they may spend it, but they do not directly help to support the state to any extent.

That isn't all. When we tax the storekeeper on his goods, unconsciously he adds the tax to the goods, and you and I pay it in the sugar, salt and tobacco we buy. They'll rise up and dispute that statement, but let them dispute it; it is still true.

Another difficulty with the general property tax is this: that money is not primarily made out of property. From one to three hundred years ago it was so made to a greater extent than now. Money is made out of the cleverness of people who buy and sell; it is made out of transactions. Money is made by brokers, or settlers of disputes; by those who preach sermons or give lectures or perform tricks, such as taking rabbits out of hats. These are ways of making money, but not in proportion to goods owned. An important fact in the case is that the farmer is obliged to own more goods in proportion to the farm income than is owned by almost anybody else. For instance, the wholesale establishment is among the most profitable in the mercantile groups, and they never have much on hand. The wholesaler's turnover is daily or weekly or monthly, and he has six or ten or fifty times as much in his own name during the year as you can find at any one time.

We are the most progressive people in the world; yet we are the last people to throw over the property tax. Not that we should abolish it entirely—we need it. England, Germany, Belgium and the Scandinavian countries gave it up as the main source of revenue a long time ago. It had broken down completely. Our is also breaking down. The cities get seventy per cent of their taxes out of general property. In Iowa, where they do not have either cities or income taxes, they get as high as eighty-five per cent of their taxes out of general property.

Money Moving To The City

We speak of farmers moving to the city; farmers aren't going to the city half as fast as their money is going to the city. The money is accumulating in the city, which is unfortunate for everybody. It has been piling up at a tremendous rate, more especially in the prosperous years of 1921 to 1929. The cities, during these years, outgrew anything ever known in the world before in wealth, while farm wealth decreased. This is happening in all manner of ways. When farmers give mortgages, it is nearly always owned in the city. We are doing more and more of our work in the city. Machines are built in the city, law and business is transacted in the city, nearly all doctors are in the city, and professional men of every kind, manufacturing and processing of food stuffs, is all done in the city. Our breakfast foods all come from the city; our clothing is made in the city.

Much work previously done in the country is now being done in the city. For example, much of the clothing, all of the machinery, furniture and building material is processed or manufactured in the city. Even baking and laundry work for the farms is more and more being done in town. Money is moving to the city. What we have failed to do is to put taxes on the people in proportion to their incomes.

We are the smartest and most progressive people on the face of the earth, yet this is what we are confronted with. We want better roads, and must have them. There is no person here who would vote for poor roads. The Good Book says the roads of the next world will be perfect, but it doesn't say anything about motor driven cars, so let's have the roads while we are sure of the cars.

The Income Tax The Best Hope

This brings us to the point that there are some sane ways of collecting taxes. We collect eighteen or twenty million dollars in income taxes. Do you know you pay taxes out of your income no matter how you are taxed? A farmer would faint if we would say to him, "You are going to pay $200 on your income." But tell him he must pay $200, and tell him it is not on his income, and it will be all right. He doesn't want a tax which will decrease his income. Between you and me, we are going to increase the income tax. We used to be afraid business might move out of the state. It has been proved that some

few businesses have moved out because of the state income tax. The main income tax doesn't come from the few millionaires, but from people who have a few thousand dollars of income. It was said that the Palmolive Soap Company has moved out of the state so far as the bulk of its business goes. We will get along without them. We could probably also get along without Mr. Nash, though he does not even threaten to move. Since we need revenue, we will get it from those who have it instead of those who do not have it. About half of our state and local revenues should be raised on income, and less than half on general property. When we are wise enough to see this, we will have very much less bankruptcy and tax delinquency; but there is going to be a merry fight, for this reason; the people with incomes have much more resistance against the enactment of a new and improved tax than those without the incomes.

Question: Will Mr. Hibbard please give us his opinion of the gasoline tax?

MR. HIBBARD: The proper gasoline tax is the highest one you can collect. Ours is 4c. My first suggestion would be to make it 5c, and if that goes well, I would suggest making it 6c. It is about the only tax which can be collected in proportion to the benefits derived. The people who want to get out and "tear up the roads" do it for fun in many cases. People must have gasoline. A gasoline tax goes right to the spot and doesn't cost much to collect. However, it should not be used for general purposes, but should be used for roads. It means that we let the people who use the roads pay a little more for them. Between you and me, I wouldn't pay for the highways for transporters of freight and let them furnish only the motive power, without asking them to contribute a little more than they yet have for the maintenance of highways. When railroads were new, it was suggested that the state might put down the ties and rails and let anybody run a train on it who wanted to. That is what we are doing with the highways. If you have a small freight train you want to run up and down these roads, you may do so. Our truck operators should pay more.

We should all pay more for gasoline, until we get as high a tax as any other state in the Union where it is successfully administered. The highest I know of is 7c, and the people pay it without grumbling. That is in Florida.

MR. F. R. BARBER: If that tax is so successful, why not a general sales tax?

MR. HIBBARD: The inference, I would say, is not good. A general sales tax doesn't meet the measure of justice of paying according to the benefits received, not ability to pay. You are really paying for a particular service when you pay a gasoline tax. You save, first, in the quantity of gasoline used, after a road is improved. Secondly, you save in tires, and thirdly in the wear and tear on the car; not to mention the added comfort. A general sales tax is a tax on consumers and is not distributed at all on the basis of ability to pay.